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# ANNUAL REPORT 2020

From March 1st, 2019 to February 29th, 2020  
IZUMI CO., LTD.

# Strive for Japan's No. 1 high quality regional GMS through enhancing the value of Izumi and Youme brands

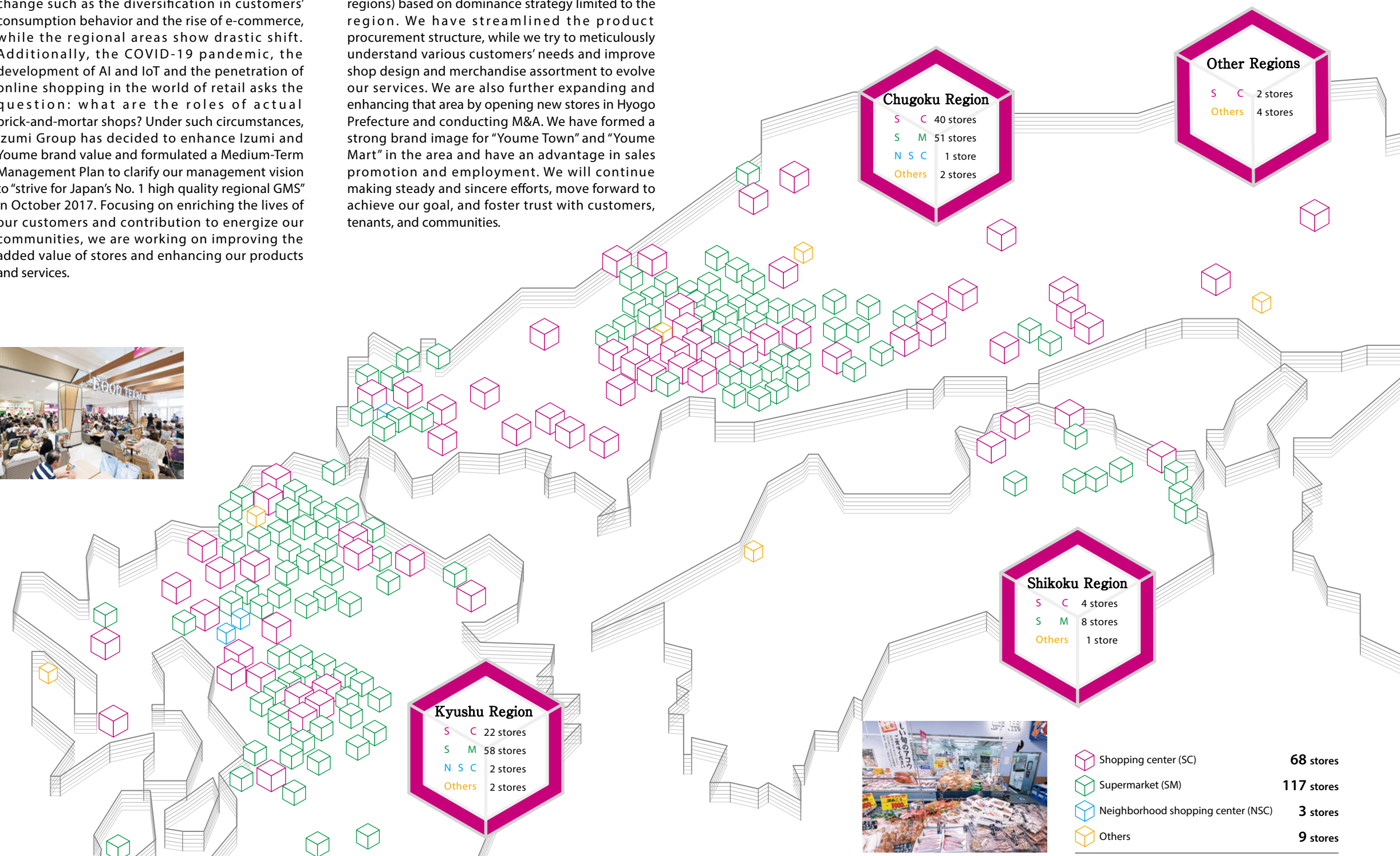
## Enrich the lives of our customers

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 COVID-19 pandemic, 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 the product procurement structure, while we try to meticulously understand various customers' needs and improve shop design and merchandise assortment to evolve our services. We are also further expanding and enhancing that area by opening new stores in Hyogo Prefecture and conducting M&A. 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) 117 stores
- Neighborhood shopping center (NSC) 3 stores
- Others 9 stores

**Total number of stores: 197 stores**  
(As of February 29, 2020)

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While prioritizing the fulfillment of our mission as a regional lifeline, we will promote reforms in 2020 as a year to consolidate our system to deal with crises.



山西泰明

Yasuaki Yamanishi

President and Representative Director  
IZUMI CO., LTD.

### Reflecting on Fiscal 2019

The market environment for FY2019 has been very challenging, with a consumption tax hike in October 2019 and a weakening of consumer confidence thereafter, the spread in Japan since the beginning of 2020 of COVID-19, which has become a global pandemic, and a nationwide trend of avoiding unnecessary outings.

Under such circumstances, while closing Youme Town Onoda (Sanyo-Onoda City, Yamaguchi Prefecture) in May last year, we opened Youme Town Fukuyama (Fukuyama City, Hiroshima Prefecture), a property that was accepted from Ito-Yokado Co., Ltd. in June, and is doing very well. Besides newly opening four supermarkets, Youme Mart Hita (Hita City, Oita Prefecture) and Youme Mart Mitajiri (Hofu City, Yamaguchi Prefecture) in April 2019, Youme Mart Minami-Onoda (Sanyo-Onoda City, Yamaguchi Prefecture) in May, and Youme Mart Aoyama (Yahatanishi-ku, Kitakyushu

City, Fukuoka Prefecture) in July, we actively invested in existing stores and completed floor expansions in Youme Town Hikari no Mori (Kikuchi-gun, Kumamoto Prefecture) in June 2019, and renovated the food court, food department and clothing department in Youme Town Takamatsu (Takamatsu City, Kagawa Prefecture) in September under the theme of “aiming for the joy of customers and becoming No. 1 in Shikoku.”

In summary, one good point is that we have achieved improvements in our gross profit margin thanks to the strong start at Youme Town Kudamatsu (Kudamatsu City, Yamaguchi Prefecture) and Youme Town Himeji (Himeji City, Hyogo Prefecture) succeeded with all fixtures and equipment from Seiyu GK. and the aforementioned Youme Town Fukuyama, three generational demand for school bags and other products that are the Group’s strengths and strong sales of celebratory items, and by working to reduce costs and losses. However, challenges remained, including poor

sales of seasonal products such as clothing due to unseasonable weather conditions, as well as weak sales at new Youme Mart stores on a non-consolidated basis despite the strong performance of these large-scale stores. In addition, with the consumption tax hike coming into effect in October 2019, and with purchasing power itself taking longer to recover after the tax hike, the implementation of the Japanese government’s Point Reward Project for Consumers using Cashless Payment has diminished the Group’s existing advantage in promoting loyalty points, and sales at existing stores fell below the previous year’s level, producing difficult results. Although operating revenue increased 1.7% year-on-year to 744.3 billion yen due to an increase in sales at floor-expanded and revitalized stores, in addition to the impact of lower sales at existing stores, due to higher SG&A expenses such as store opening costs, personnel expenses and advertising expenses, operating income fell 9.6% year-on-year to 31.8 billion yen, ordinary income fell 8.9% to 31.9 billion yen, and profit attributable to owners of the parent fell 15.1% to 19.9 billion yen, resulting in decreased profits.

### Progress and assessment at 2nd year of Medium-Term Management Plan

The Group has formulated a three-year Medium-Term Management Plan for FY2018 to FY2020, but due to the challenging results in FY2018, the first year of the plan, including awareness of the market environment, the Group reviewed its Medium-Term Management Plan in April 2019 and revised downward the numerical targets for the final year. And, we have shifted our policy from the previous expansion strategy of focusing on new store openings to a growth strategy that emphasizes profitability, and have established five new themes: 1. Growth strategy, 2. Revitalization of existing stores, 3. Enhancement of competitive power, 4. Enhancement of human resources development, and 5. Expansion of digital investment.

#### 1. Growth strategy

In terms of our growth strategy, we opened a total of ten new stores by the second year of the Medium-Term Management Plan, and as mentioned above, new small-scale stores are struggling, but succeeded stores from Seiyu and Ito-Yokado, large-scale stores, have steady growth. In addition to opening new stores, we are also proceeding with the liquidation of unprofitable stores, and have closed a total of seven stores in the past two years. Also, we entered into a capital and business alliance in November 2019 with Maruyoshi Center Inc. which operates a network of food supermarket stores in the Shikoku based

in Kagawa Prefecture, and brought Maruyoshi Center into the Group as an equity-method affiliate. This will allow us to cover both the small-scale commercial areas of Maruyoshi Center’s stores in Kagawa Prefecture, Ehime Prefecture and Tokushima Prefecture, as well as the larger commercial areas of the Group’s large shopping centers, and we intend to further strengthen the Group’s presence in the Shikoku.

#### 2. Revitalization of existing stores

In the second year of our Medium-Term Management Plan, we worked to revitalize six large-scale stores. In particular, we believe that by expanding the number of dine-in and rest spaces in September 2019 mainly at Youme Town Takamatsu’s (Takamatsu City, Kagawa Prefecture) “Setouchi Islands Hopping Tours on Food Cruise,” one of the largest food courts on Shikoku, we have improved the attractiveness of this new spot as a place where three generations of family members can gather together, enjoy themselves and connect with each other, as well as further strengthened the convenience of the shopping experience.

#### 3. Enhancement of competitive power

To strengthen our competitiveness, we began handling Seven Premium, a private brand of Seven & i Holdings Co., Ltd. based on our business alliance with them in March 2020. In addition, our food manufacturing subsidiary YOUME DELICA CO., LTD. has started construction of a new addition to its delicatessen plant, which is scheduled to begin operations in FY2020. The new plant will have the latest equipment and new technologies to enhance the supply system and provide a larger variety of fresh products to a wider range of stores than ever before, and we expect that this will contribute to productivity improvements through reductions in in-store manufacturing processes and low-cost operations, while providing safer and more delicious prepared foods.

#### 4. Enhancement of human resources development

We have continued to focus on creating an environment that motivates our employees, and have continued to strengthen measures for human resources development, such as promoting training programs at other leading companies and expanding training from each hierarchy, including the development of the next generation of leaders. From the perspective of promoting employee diversity, we are promoting the participation of women to achieve our goal of having at least 20% female managers. Going forward, we will continue to create more rewarding workplaces by building a system that supports the autonomous actions of employees and skills development, and evaluates results against clear goals in an open organization based in stores.

**5. Expansion of digital investment**

When it comes to digital investments, one of our goals is to build and leverage our customer data platform. This is an indispensable investment we are committed to make in shifting our sales promotion activities from conventional mass marketing to individual marketing that is tailored to the diverse values of our customers as we anticipate medium- to long-term changes in consumers' behavior. In addition, we have been preparing for the renewal of our e-commerce site, which has started operations as "Youme Online" in March 2020. Digital investment is not only a measure for improving customer satisfaction and attracting customers. By promoting each of the measures set forth in the Medium-Term Management Plan in a cross-organizational manner, we will be able to improve productivity, which will lead to an increase in employee satisfaction.

**FY2020: Year to consolidate our system for crisis preparedness**

Looking ahead to the market environment in FY2020, it has yet to recover from the impact of last fall's consumption tax hike, and the Point Reward Project for Consumers using Cashless Payment is expected to end in June of this year. Even more significant is the spread of the new coronavirus, which has had an enormous negative impact on production and consumption activities both domestically and globally. In western Japan, our business region, there is still no prospect of an end to the crisis, and the future of Japan as a whole is uncertain. In this context, I would like to position FY2020 as a year to consolidate our system for crisis preparedness. While making maximum efforts to prevent the spread of COVID-19, our top priority will be to promote our business continuity plan (BCP) and fulfill our role as a lifeline, and at the same time, we will push forward with structural reforms to minimize the impact of the new coronavirus by implementing radical reforms such as drastic reductions in advertising and promotional expenses.

**Management Policy for FY2020**

In order to become a corporate group capable of sustaining growth in FY2021 and beyond, we will rebuild a robust management structure in FY2020 with a focus on productivity reforms. We will promote structural reform of food supermarkets, enhancing human resource development, reforming sales promotion activities, rebuilding the earnings base, and enhancing product competitiveness, all of which we believe will lead to improved productivity. Another key to improving productivity is digital investment. Specific digital investments include the introduction of

predictive supply ordering systems and robotic process automation (RPA) for routine operations to reduce time and improve accuracy, the introduction of semi-self-checkout cash registers and the use of QR codes to improve the efficiency of checkout operations and prevent errors, and the introduction of a customer data platform to automate sales promotions and visualize their effectiveness. This shift to digitalization will not only improve productivity and free up extra time for employees, but also lead to increased customer convenience and greater customer satisfaction. Another digital investment from the customer's perspective is the launch of the "Youme Online" e-commerce site in March 2020, through which customers can now get their items delivered home or pick them up at a store. We are also working to expand the app's functionality, which we expect will not only make it more convenient for customers, but will also improve the effectiveness of attracting customers and maximize sales promotion efficiency.

At the same time, we are shifting our marketing activities from "mass" to "individual" marketing as we aim to reform the structure and organization of the supermarket by reforming productivity. For example, we used to stock and sell a single product in large quantities, but from now on, we will add value and maximize the lifetime value for our customers through product lineups that respond to the diverse values of each customer.

In terms of strengthening our product appeal, we are deepening our business alliance with Seven & i Holdings Co., Ltd., which has already seen the mutual use of e-money services and the opening of new stores within the Group, and the previously-mentioned "Seven Premium" was added to the Group's new lineup from March 2020. In addition, our delicatessen plant, which is currently undergoing the aforementioned expansion, is scheduled to begin operations in FY2020, and we believe that this will further strengthen the Group's product capabilities.

**Medium- to Long-Term Outlook**

Considering the medium- to long-term business environment over the next five to ten years, we expect to see an even lower birthrate and aging population, and an accelerated decline in population especially in rural areas. As the population ages, demand per household and per capita will shrink, and the problem of those who have difficulty going out on their own will become even more acute. At the same time, the labor force is likely to decline further due to the retirement of a large number of elderly workers, and the shortage of workers and difficulty in recruiting them will become more severe. It is also predicted that purchasing

power will not increase as the social cost burden on young people increases. Mutual assistance will be required in local communities, and society will rely to a significant degree on shopping through e-commerce and automation through artificial intelligence (AI).

I think the COVID-19 pandemic has brought these macro issues to light all at once. While fulfilling our mission as a local lifeline and ensuring the safety and employment of our employees are our top priorities for the time being, we are also examining the ideal business structure for the company after we have overcome this crisis.

For the Group to continue to grow over the medium to long term, we must further hone our strengths and become the company of choice for our customers in a highly competitive environment. It goes without saying that our strength is our dominance strategy, which is limited to western Japan, and we have many stores that are "No. 1 in the region," and the sales strength of these stores is strong, which creates a high level of motivation for the employees who work there. In order to maintain and refine this strength going forward, we believe it is important to build and maintain an environment that allows our highly motivated employees to perform their duties with large incentives, mainly at highly profitable large shopping centers, while constantly improving the added value of each store through measures such as revitalizing existing stores.

In light of this medium- to long-term improvement in corporate value, the Group will focus on improving productivity in existing businesses and building a leaner corporate structure by restraining capital investment in new store openings while increasing investment in M&A, human resource development and digitalization. Through these measures, we will strive to achieve customer satisfaction and further expand and deepen our regional dominant position, thereby increasing our management efficiency and leading to further corporate growth.



**To Shareholders and Investors**

For FY2019, we have decided to pay a dividend of 40 yen per share for both the interim and the end of the fiscal year, for an annual dividend of 80 yen per share, as in the previous year.

In addition, we have left the earnings forecast undecided as the spread of the COVID-19 made it difficult to foresee the impact on the Group, but we have announced the earnings forecast based on our judgment from the information available as of July. Looking ahead, as the spread of COVID-19 in Japan, which began in earnest in the first quarter of this fiscal year, is coming under control, while store management and other business activities will normalize in the second quarter and beyond, it is expected that store management will be constrained by the increasingly difficult business environment due to factors such as worsening employment and income conditions and changes in consumer behavior, such as a shift to a "new lifestyle" based on coexistence with COVID-19. For details, please refer to the news release "Announcement of Financial Forecast and Dividend Forecast" posted on our IR website. In 2020, as we work to consolidate our system for crisis preparedness, we will continue to do our best as a community-based company to create unique added value while fulfilling our role as a lifeline to the local community, and we ask for the continued support of our shareholders and investors.



# We will be answering questions from the securities markets!

From January to March 2020, we have compiled questions from securities analysts and fund managers with their purport fully maintained.

**Q** Could you tell us the measures you have taken to prevent the spread of COVID-19 and the impact on your business operations?

**A** Each store's current operating status is posted on our company website and the homepage of each store. We place the highest priority on the safety and security of our customers and employees, and will continue to do our utmost to maintain a focus on health and safety in our store environments so that our customers may visit and shop with peace of mind.

As for the operating status of each store in our group, considering the spread of COVID-19, we deemed it important to rigorously work to mitigate exposure to interpersonal contact during the period prior to the Golden Week holidays. Thus, specialty stores across all 67 Youme Town locations (\*including Youme City and LECT) were, with some exceptions, closed for 12 days from April 25, 2020 to May 6, 2020. After May 7, while we complied with requests to suspend operations for designated business types according to each prefecture, we began opening up specialty stores little by little after taking thorough safety measures. On the other hand, for Izumi's directly managed sales floor, in order to fulfill our mission as a lifeline that reliably supplies daily necessities to local residents, the grocery sales floor has been operating as usual except for some stores. Clothing and daily commodities sales floors have been operating with reduced business hours.

We consider our tenants to be important stakeholders and that we should overcome this crisis together. Depending on the type of business, such as amusements, we requested that some tenants refrain from operating. We also instructed all tenants to operate in a manner that enables customers to observe proper social distancing, just as we did for the directly managed sales floor; safety measures to reduce the spread of COVID-19 that would be compromised if the number of



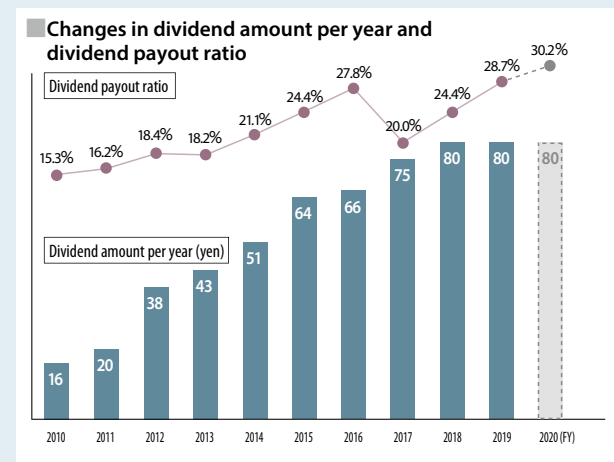
Disinfecting the station where the customers bag their purchased items

visiting customers increased. We are able to flexibly respond through measures such as temporarily suspending guaranteed minimum sales and reduction or exemption of tenants' rent.

As for the impact on fiscal 2020 results, we have left the earnings forecast undecided with the uncertain outlook for the spread and containment of COVID-19 and the difficulty in predicting the impact of the government's declaration of a state of emergency and major economic stimulus measures, but we have announced the earnings forecast based on our judgment from the information available as of July. For details, please refer to the news release "Announcement of Financial Forecast and Dividend Forecast" posted on our IR website.

**Q** Dividends to shareholders are also undetermined, but we'd like to know your dividend policy.

**A** Since we are unable to disclose our earnings forecast itself due to the uncertainty over the spread and end of COVID-19, we have left the fiscal 2020 dividend forecast undecided, but based on the earnings forecast above, we have also disclosed our dividend forecast. For FY 2020, we plan to pay an interim dividend of 40 yen per share and a year-end dividend of 40 yen per share, for a total of 80 yen per share, the same level as the previous year.



**Q** Could you comment on the progress of the plans to revitalize existing stores, which was talked about in the Medium-Term Management Plan?

**A** In FY2019, we finished renovating Youme Town Hikari no Mori (Kikuyo-cho, Kumamoto Prefecture) in June 2019 and Youme Town Takamatsu (Takamatsu City, Kagawa Prefecture) in September 2019. We started renovating Youme Town Hiroshima (Minami-ku, Hiroshima City) in November 2019. As for Youme Town Hiroshima, we focused on the back of house areas as well as revitalizing the sales floors so far, expanding the grocery sales floor with the philosophy of "strengthening of food offerings" and changing the layout of shops to raise the customers' facility circulation. We are working towards the completion of this renovation in fall 2020. In 2020, we will also revitalize Youme Town Higashihiroshima (Higashihiroshima City), which opened about 30 years ago, to match changes in neighborhood customer base such as students, families with children, and foreign residents. In 2021, we plan on a large-scale renovation of Youme Town Hatsukaichi (Hatsukaichi City, Hiroshima Prefecture).



Food court in renovated Youme Town Takamatsu



Youme Town Hatsukaichi, which is planned to undergo large-scale renovations

**Q** Could you tell us about the progress of digital investments such as e-commerce?

**A** Digital investments totaling approximately 5 billion yen are planned to be implemented within the next three years. We invested 1 billion yen in FY2019. Our previous e-commerce website was rebuilt as "Youme Online" in March 2020 and is currently working out well. We have expanded the range of goods from only gift merchandise to foods and daily necessities. We also added a pickup option to deliveries so that Youme Online can seamlessly coordinate with physical stores. We will expand the selection and services even more to accommodate customer needs. We are also working on introducing an AI-based predictive supply ordering system to improve employees' working efficiency. Operation testing of the system began in the Dairy Section in some stores last year, and we are now in the process of introducing it to the Dairy Section in all stores. We expect to complete this roll-out by the end of August, and plan on introducing it sequentially to other divisions after that.

On top of the measures already mentioned, we are promoting digital transformation such as enhancement of app services and introduction of semi-self-checkout systems in order to enhance customer and employee satisfaction. Due to the impact of COVID-19, customers' needs and lifestyles are changing. We consider this a good opportunity for us to drive drastic reforms, and will evolve our management practices to something more robust in the next 12-18 months.



<https://www.youmetown.com/shop/default.aspx>

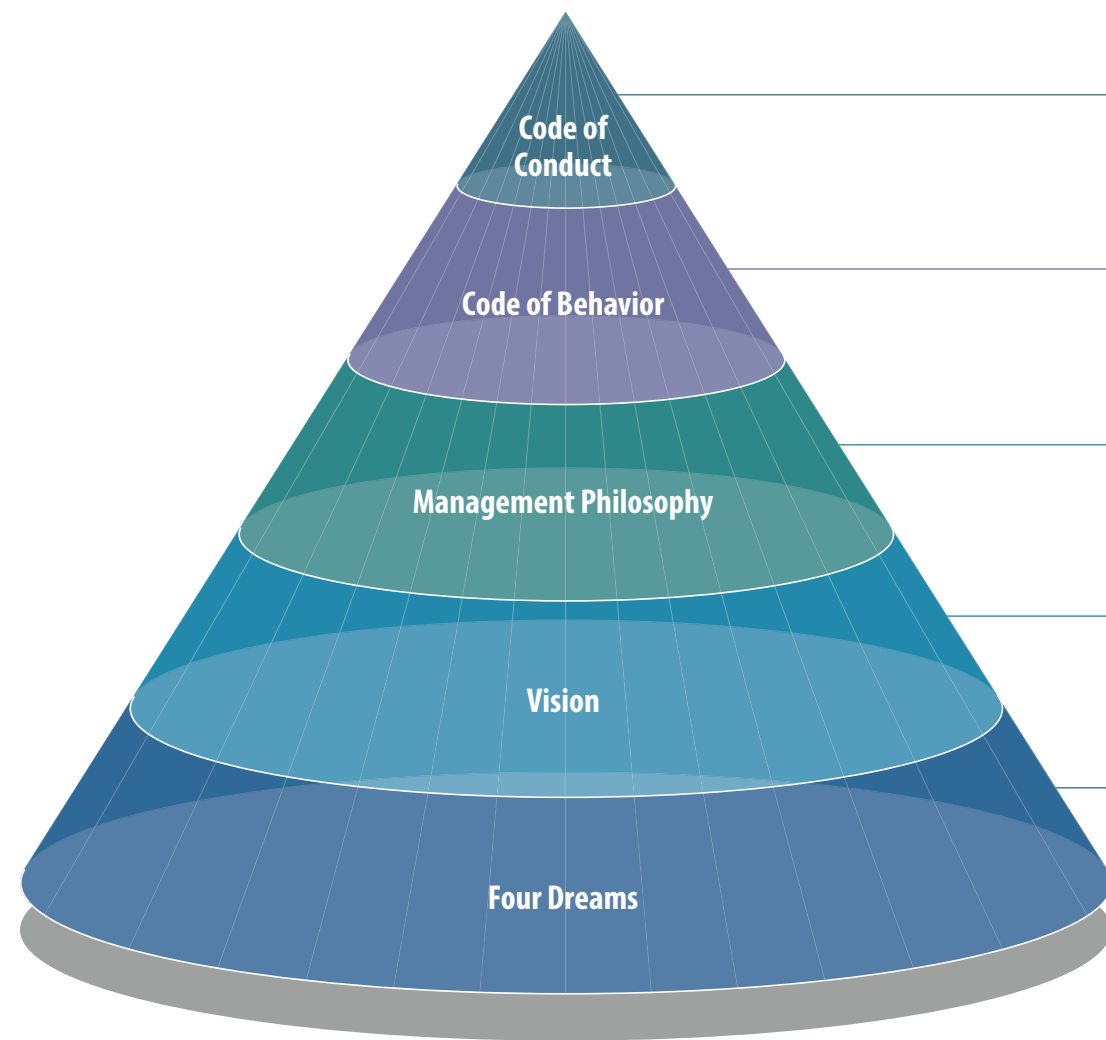
Rebuilt e-commerce website "Youme Online"

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

In April of last year, the Izumi Group revised its first Medium-Term Management Plan in response to rapid changes in consumption trends. We aim to further improve the value of the Youme brand while continuing our efforts to create stores that please our customers, the community and our tenants.

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, manage-

ment 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 DNA



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

## Purpose of Code of Behavior

Izumi will promote and practice management that responds to change, challenges and is speedy, while aiming for future growth and advances. To do so, it is Izumi's mission to fulfill its social responsibilities by conducting corporate activities with the themes of dream creation and being community-focused to become the center of local lifestyle and culture, and opening new stores. In order to complete Izumi's mission, we must conduct business activities after establishing corporate ethics based on the Izumi Group Charter of Conduct. In addition, each of us aims to be sincere people who can determine "what must not be done as human beings."

- 1 Aim to be No. 1 in customer satisfaction
- 2 Aim to be a company with an exciting future
- 3 Aim to be a company worth working for

## "Contribute to a more prosperous life through commerce with a motto of gratitude and trust"

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

## 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.



## 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.



## "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."





# "Challenges of Izumi" that is based on the communities and have been supporting the development of them

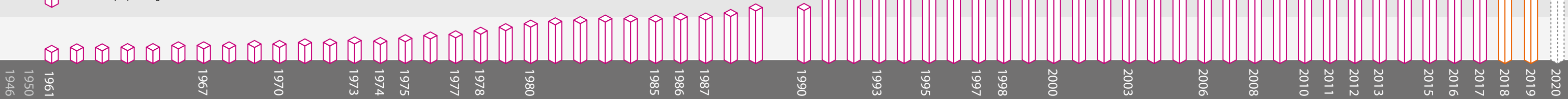
The roots of the Izumi group were a small stall with a wooden door across from Hiroshima Station that opened one year after the end of the Second World War.

"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 approximately 60 years.

We will continue to move forward closely in tune with the dreams of our stakeholders.



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



## Izumi group trends in operating revenue

Since our foundation, Izumi's operating revenue has been generally growing even though there have been some impacts from economic trends. In the midst of drastic changes in the market environment, we will shift our growth strategy from a focus on expanding the number of newly opened stores to profitability. Specifically, we position FY2020 as a year to consolidate our system for crisis preparedness. We will drive growth in the Medium-Term Management Plan over the next fiscal year by promoting structural reform towards robust management practices.

Fiscal year ending February 2021: ¥701.900 billion (forecast)

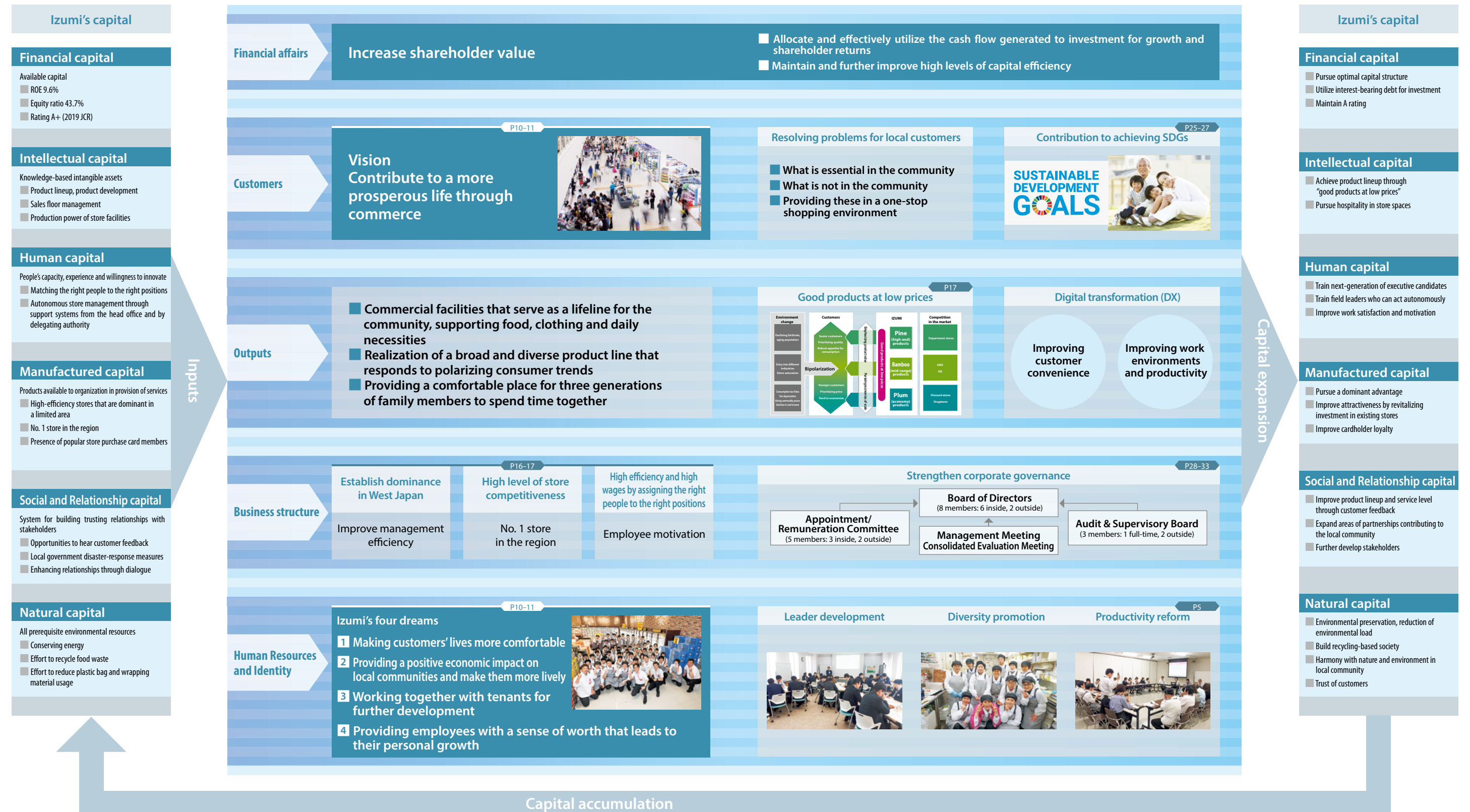
Fiscal year ended February 2020: ¥744.349 billion

Fiscal year ended February 2019: ¥732.136 billion

Prior to founding	Early times after founding	Growing years	Developing years	Innovative years
1946	1946 Constitution of Japan takes effect.	1975	1990	2008
1950	1955 High economic growth starts.	1977	1993	2011
1961	1964 Tokyo Olympic Games are held.	1978	1995	2012
1967	1966 New Three Sacred Treasures (washing machine, refrigerator, and black and white TV) become popular.	1980	1997	2013
1973	1968 The first retort pouches of curry are available.	1985	1998	2015
1974	1969 Apollo 11 lunar landing.	1986	2000	2016
	1970 Osaka Expo is held.	1987	2003	2017
	1971 Nixon shock.		2006	2018
	1972 Sapporo Olympic Games, Return of Okinawa to Japanese sovereignty.			2019
	1973 Oil crisis.			
	1974 Skyrocketing prices.			

# To enjoy prosperity with the community and our customers

We believe that customer satisfaction is the source of corporate value creation, and that striving to maximize it is the easiest way to meet the expectations of stakeholders. By selectively investing a diverse range of management capital as inputs, we are able to convert them into unique outputs, resulting in the creation of economic value in our financial statements. By creating these outcomes, we are expanding our management capital beyond what we invested in.





# Pursuing profitable management through utilizing Izumi's "strengths"

While purifying our wish of "making our customers happy" over Izumi's history of nearly 60 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, 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.

## Increase share within area of dominance through M&A

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

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.

GROWTH STRATEGY

## Establish dominance in West Japan



Aiming for No. 1 store in the region

High level of store competitiveness

## High efficiency and high wages by assigning the right people to the right positions

HUMAN RESOURCE

### 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"

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 organizing a system where female employees can develop their careers while considering work-life balance.

## 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 more profitable SM models

## Revitalization of 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

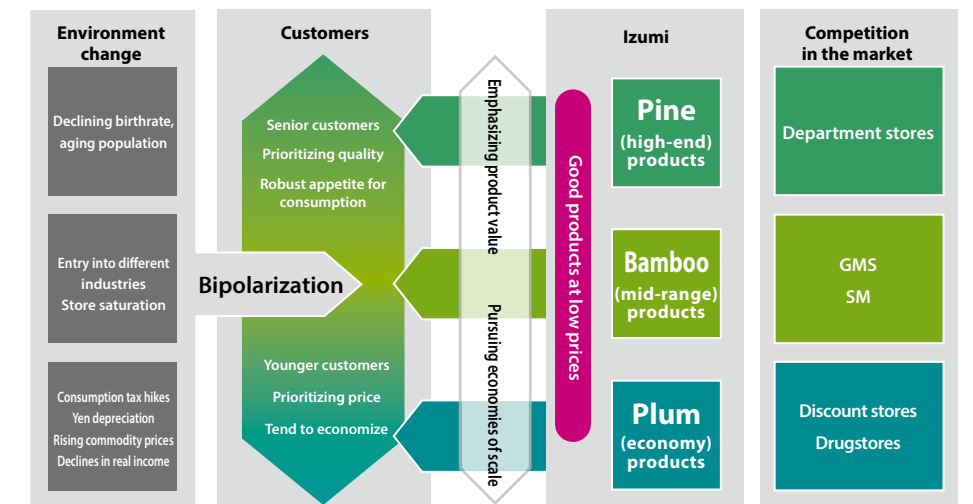
"Offering products new to the region" and "offering the best products in the region" are our priorities every time we open a new store. In order to sensitively meet the needs of the region, we have transitioned from a headquarters-centralized management method to a more store-oriented approach which 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."

## Net sales for existing stores year on year (%) From FY2010 onward

Fiscal year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Izumi (Non-consolidated)	100.1	101.2	100.1	102.7	101.8	101.4	101.5	99.2	99.4	99.1
Nationwide	98.1	99.1	97.2	100.2	99.1	101.3	98.8	99.6	99.2	98.8
Difference	+2.0	+2.1	+2.9	+2.5	+2.7	+0.1	+2.7	-0.4	+0.2	+0.3

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

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



# Policy Shift to Growth Strategy with Greater Emphasis on Profitability

## Reviewing our Medium-Term Management Plan

The Group has established and promoted a three-year Medium-Term Management Plan from FY2018 to FY2020 based on its management vision to “strive for Japan’s No. 1 high quality regional GMS.” In April 2019, we announced a review of the plan in light of the business environment and performance in FY2018, the first year of the plan.

The environment surrounding the retail business is confronting not only a weak consumption environment, but also difficulties in hiring due to labor shortages, as well as high construction costs. In this difficult business environment, the Group has judged that the outlook for the profitability of new store openings will become even more challenging given the Group’s performance in FY2018, such as the slowdown in sales and year-on-year declines in customers at existing stores, as well as the slowdown in the growth rate of large-scale stores. Therefore, in April 2019, we decided to revise downward the numerical targets of our Medium-Term Management Plan and to work on the following five new themes, while maintaining the basic concept of our management vision and other initiatives.

- 1 Growth strategy
- 2 Revitalization of existing stores
- 3 Enhancement of competitive power
- 4 Enhancement of human resources development
- 5 Expansion of digital investment

By shifting our policy from the existing expansion strategy of focusing on store openings to a growth strategy with a greater emphasis on profitability, numerical targets for FY2020, the final year of the Medium-Term Management Plan, will be revised from the original 900 billion yen to 820 billion yen for operating revenue, and from 6.0% to 5.4% for operating profit margin. In addition, our initial targets of 900 billion yen in operating revenue and 6.0% operating profit margin have been changed to targets for FY2022, two years following the final year of the Medium-Term Management Plan.

## Five initiatives in Medium-Term Management Plan

We will look specifically at the five initiatives mentioned previously.

**1 Growth strategy**  
For our new store opening strategy, we will reduce our initial plan of 40 stores over the three years from FY2018 to 15 stores over the same period. We will aggressively open highly profitable large-scale stores, but we will also carefully select properties for small and medium-scale stores and scrap unprofitable stores. In addition, we will continue to form partnerships that enable us to build mutually beneficial relationships, such as the business alliance with Seven & i Holdings Co., Ltd. At the same time, we will promote partnership with leading companies in the area. We will invest an average of 20 billion yen per year in revitalization investments such as the renovation of existing stores and scrapping and building, as well as M&A.

## 2 Revitalization of existing stores

We plan to revitalize five large-scale stores and approximately 30 small and medium-scale stores every year. In the revitalization process, we will create stores that respond to change, develop and renovate stores that meet customer needs, and revitalize them into attractive and competitive stores that are rooted in the local community.

## 3 Enhancement of competitive power

In order to achieve “good products at low prices,” we will expand the rollout of high-quality products and strengthen our lineup of products deeply connected to local communities. Through our business alliance with Seven & i Holdings Co., Ltd., we will also promote joint initiatives in joint purchasing, private branding, product planning, and other areas.

## 4 Enhancement of human resources development

To develop our human resources, we will promote training programs at other leading companies as well as expand training by rank. We will support skills development by strengthening OJT such as through the promotion of training using a video distribution system for individual employees, while expanding the implementation of “Permanent Home Area” full-time positions, which encourage the employment of full-time employees according to their diversified working styles.

## 5 Expansion of digital investment

In order to strengthen digital marketing and shift from a conventional mass marketing approach to optimal sales promotion activities for individual customers, we will further utilize personalized purchasing information (big data). In addition, we will further enhance the features of the “Youme Town smartphone app” to make it more convenient for customers. At the same time, we will also promote the digitization of stores by expanding the introduction of our tablet-equipped intelligent carts “Youme Pi!” By promoting digitalization, we will promote initiatives that will lead to improvements in employee work styles, such as improving sales floor efficiency and reducing clerical work, and we will also work to develop a predictive supply ordering system based on data.

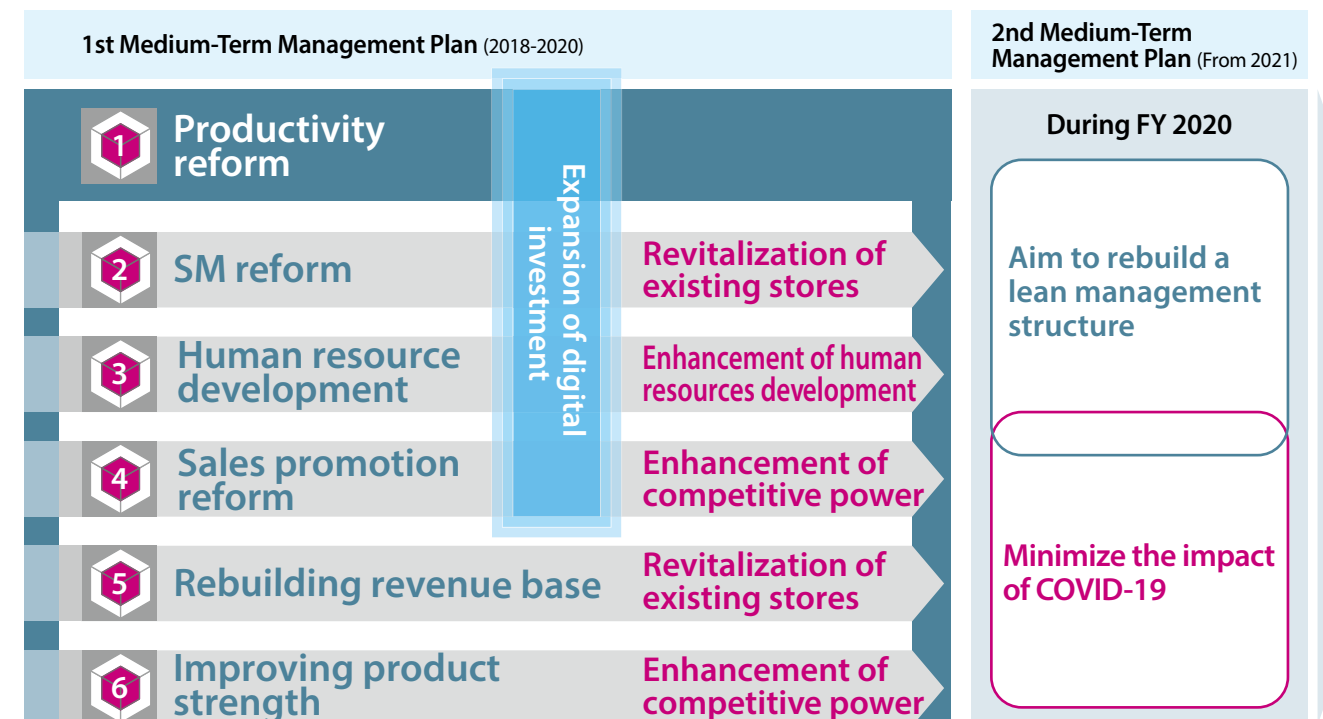
In this way, the Group will continue to improve quality by responding quickly to changes in the social environment and promoting flexible businesses that meet the needs of local communities and markets. In addition, we will strengthen the systems that allow our employees to feel a sense of fulfillment in their work, and build a bond of trust based on compliance management that is worthy of the title of “Japan’s No. 1.” Based on our management vision of to “strive for Japan’s No. 1 high quality regional GMS,” we will work together as a group to promote a growth strategy that focuses on profitability and further enhance the value of the Youme brand.

## 1st Medium-Term Management Plan (Revised in April 2019)

Theme	FY2018-2019	Level of achievement	FY2020 plan
1 Growth strategy	For 10 newly opened stores*, sluggish performance at small-scale stores in contrast to strong performance at large-scale stores	✗	No new store openings
	Steady growth in succeeded stores (Youme Town Kudamatsu, Himeji and Fukuyama)	△	Establishment of revenue base
	Strengthen revenue base by closing 7 unprofitable stores*	○	Planning 1 store
	Form capital and business alliance with Maruyoshi Center Inc.	○	Promoting collaboration
2 Revitalization of existing stores	Implemented at 6 large-scale stores. Lack of implementation at medium-scale stores. Promoting SM reform	△	See P5, P18
3 Enhancement of competitive power	Decided to start availability of Seven Premium	○	See P5, P18
	Construction and extension of food manufacturing plant started. Improve taste, quality and productivity	○	
4 Enhancement of human resources development	Promote training programs at leading companies and expand training by rank	○	Continuation
	Add “Training” to process evaluation and enhance practical skills by strengthening OJT	△	
5 Expansion of digital investment	Prepare for marketing personalization and e-commerce website renewal	△	See P5, P9, P18
	Promote business improvement activities and trial implementation of digitalization	△	

\*Excluding X-SELL Division

## FY2020 Management Policy





## Growing our appeal as physical stores Pursuing customer satisfaction

### 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 stores through setting up a Code of Conduct for Izumi Employees that states "To be committed to customer service" in our core retail operations, "To create a company that is worth the challenge for all employees" and to "Always aim for better results and strive towards such goals" in our core retail operations.

In terms of products, we continued to make "good products at a low price" a pillar of our MD strategy, and in order to approach the polarization of consumption trends, we worked to expand our product lines and strengthen our competitiveness to create added value and pursue economies of scale. In particular, for the lives of consumers with a strengthening deflationary mindset, we made efforts to attract customers by adjusting the prices of commodities that are frequently purchased.

With regards to the stores, we closed Youme Town Onoda (Sanyo-Onoda City, Yamaguchi Prefecture) in May, and opened Youme Town Fukuyama (Fukuyama City, Hiroshima Prefecture) in June. In addition, we newly opened four supermarkets, Youme Mart Hita (Hita City, Oita Prefecture) and Youme Mart Mitajiri (Hofu City, Yamaguchi Prefecture) in April, and Youme Mart Minami-Onoda (Sanyo-Onoda City, Yamaguchi Prefecture) in May, and Youme Mart Aoyama (Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture) in July. We actively invested in existing stores and completed floor expansions in Youme Town Hikari no Mori (Kikuchi-gun, Kumamoto Prefecture) in June, and renovated the food court, food department and clothing department in Youme Town Takamatsu (Takamatsu City, Kagawa Prefecture) in September. As a result, we have enhanced the appeal and convenience as a place where three generations of family members can gather together.

In addition, we concluded a capital and business alliance with Maruyoshi Center Inc. as of November 12th 2019, and announced we would undertake a third-party allotment by the company and make it an equity method affiliate. We believe that their network of food supermarkets based in Kagawa Prefecture and our large shopping centers will further enhance our presence in the Shikoku region.

Sales trends remained severe due to a decline in consumer confidence after the consumption tax hike, and moves to avoid unnecessarily leaving homes due to the spread of COVID-19. In

early spring, each of the essential categories remained firm due to large-scale projects such as shoe sales and the ease of the decreased market prices for fruits and vegetables. In summer, three generational demand for items such as school bags, and bedding-related sales before the consumption tax hike helped to support the bottom line. In addition, sales of prepared foods in the differentiated category were also strong, and as for summer gift sales, the progress was seen in the expansion of customers brought in from other department stores. In response to the rush in demand before the consumption tax hike in October, we responded by promoting durable consumer goods and stimulating bulk purchase of alcoholic beverages and everyday items. After the consumption tax hike, we worked on measures to target customers such as through price controls, as well as on celebratory items and planning events throughout the year. In winter, the need for food and daily essentials increased sharply due to the spread of COVID-19, but still we were affected by decreased purchases after the tax hike and decrease in store visits. As a result, our sales of existing stores in this fiscal year went down 0.9% 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, general and administrative expenses (SG&A), running costs for newly opened stores increased, and personnel expenses and advertising expenses also increased.

As a result, operating revenue of this segment rose to ¥722,910 million (up 1.5% year on year), while operating profit dropped to ¥26,607 million (down 12.0% year on year).

### Retail-peripheral operations

In our retail-peripheral operation, YOU-ME CARD CO., LTD. increased profits by acquiring new Yumeca (e-money) and Youme Card (Credit Card) members, and expanding handling at external affiliated stores. As a result, the cumulative number of Yumeca (e-money) issued rose from 7.52 million at the end of previous year to 8.11 million at the end of this fiscal year, which further advanced the Group's card strategy. We improved the frequency of use by enhancing customers' convenience, collected and mutually sent customers, and improved the productivity at check-out operations. In addition, our food manufacturing subsidiary YOUME DELICA CO., LTD. has started construction of "Headquarters Fukawa No. 2 Factory" (tentative name) with the aim of starting operations next year. By strengthening the supply system through the introduction of the latest equipment and new technology, which enables the provision of fresher products, and by preparing HACCP-compliant facilities, we will pursue both food safety and better taste. Together with contributing to the future expansion of our store network and low-cost operations, the facility aims to address management issues such as product and manufacturing process safety, employment and labor issues.

As a result, operating revenue of the segment was ¥94,949 million (down 2.0% year on year), and operating profit came in at ¥4,351 million (up 4.0% year on year).

### Other

In our wholesale operations, profits declined due to sluggish sales. Meanwhile, in our real estate operations, we generated stable rental income.

As a result, operating revenue for the segment was ¥5,268 million (down 1.2% year on year), while operating income came in at ¥1,064 million (down 2.1% year on year).

	Operating revenue			Operating profit		
	Year ended Feb. 29, 2020			Year ended Feb. 29, 2020		
	Result	Breakdown	YoY	Result	Breakdown	YoY
	(millions of yen)			(millions of yen)		
<b>Retail operations</b>	<b>722,910</b>	<b>97.1%</b>	<b>101.5%</b>	<b>26,607</b>	<b>83.4%</b>	<b>88.0%</b>
<b>Retail-peripheral operations</b>	<b>94,949</b>	<b>12.8%</b>	<b>98.0%</b>	<b>4,351</b>	<b>13.6%</b>	<b>104.0%</b>
<b>Others/Adjustment</b>	<b>△73,511</b>	<b>△9.9%</b>	<b>—</b>	<b>930</b>	<b>2.9%</b>	<b>—</b>
<b>Consolidated total</b>	<b>744,349</b>	<b>100.0%</b>	<b>101.7%</b>	<b>31,888</b>	<b>100.0%</b>	<b>90.4%</b>
Retail operations (Condition of main companies)*1						
IZUMI CO., LTD.	700,142	94.1%	101.9%	26,026	81.6%	89.3%
Youme Mart Kumamoto Co., Ltd.*2	27,125	3.6%	98.0%	704	2.2%	92.3%
Youme Mart Kitakyushu Co., Ltd.*2	27,161	3.6%	170.7%	304	1.0%	92.7%
YOURS Co., Ltd.	24,135	3.2%	61.1%	390	1.2%	60.1%
Retail-peripheral operations (Condition of main companies)*1						
YOU-ME CARD.CO., LTD.	9,835	1.3%	107.7%	2,157	6.8%	120.5%
IZUMI TECHNO Co., Ltd.	14,059	1.9%	106.7%	1,371	4.3%	92.1%
IZUMI FOOD SERVICE CO., LTD.	5,963	0.8%	103.2%	312	1.0%	109.1%

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

\*2 As of March 1, 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.



Review of operating results by segment

Three main business platforms complementing diverse needs

Shopping centers (SC) **Youme Town**

Youme Town are large-format shopping centers where three generations of family members can visit and enjoy their day. It aims to target customers across a wide suburban area, and consists of stores directly owned and operated by Izumi with the latest popular tenants that support fashion needs, providing a variety of products, services and times. We also renovate existing stores in response to regional characteristics and trends.



Youme Town Takamatsu (Takamatsu City, Kagawa Prefecture) food court with 940 seats



Youme Town Fukuyama (Fukuyama City, Hiroshima Prefecture) opened in June 2019



Playground for children (Youme Town Fukuyama)

**A new kind of shopping center LECT focuses on the theme of "Culture, Eating and Living"**

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 create new value through ingenuity.

LECT (Nishi-ku, Hiroshima City) opened in April 2017

A variety of event including story time is held.

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 and support everyday life. We carry everyday items including clothing such as underwear and also general goods, with a focus on foods. The product lineup of these stores is closely in tune with regional tastes. This retail brand is also considering how to address Japan's aging population.



Youme Mart Hita (Hita City, Oita Prefecture) opened in April 2019

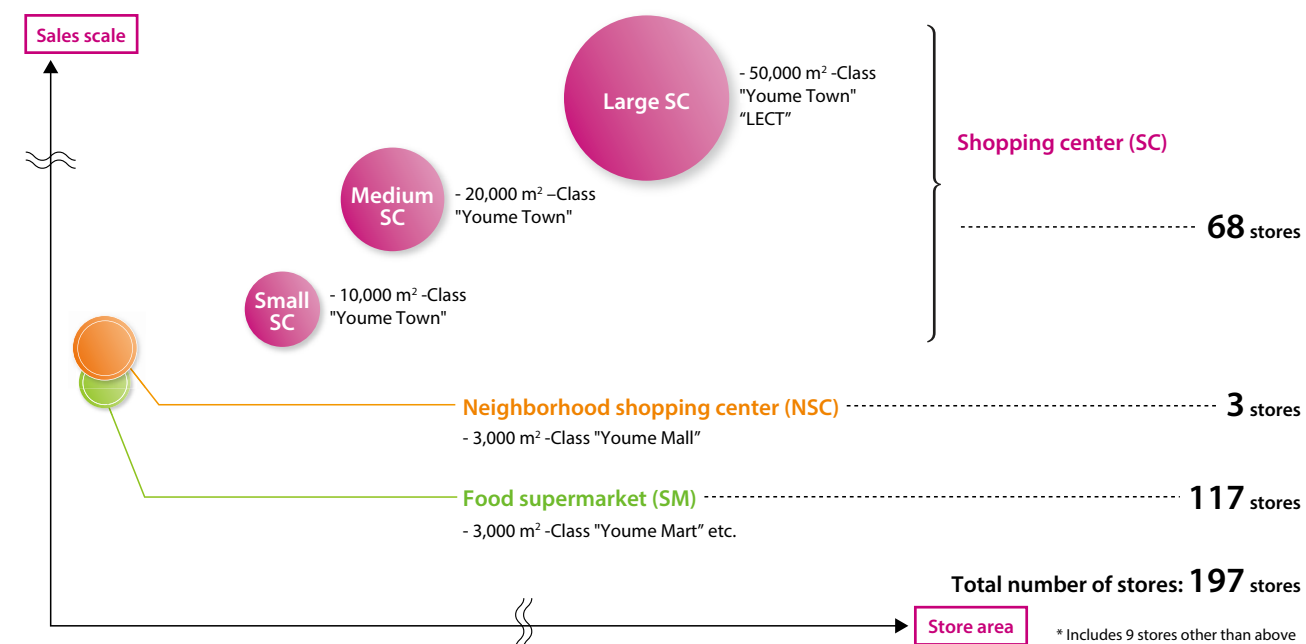
Neighborhood shopping center (NSC) **Youme Mall**

Our Youme Mall brand of shopping malls contain a large collection of specialty stores, including home improvement stores, electronics retailers, drug stores and restaurants, with our directly operated Youme Mart supermarket as the anchor store. We are working to create a one-stop shopping environment. They are located on large sites with large parking lots.



Youme Mall Shimonoseki (Shimonoseki City, Yamaguchi Prefecture)

Izumi Group's various shop formats



(As of February 29, 2020)

Subsidiaries contribute to Group management

Retail operations

Food supermarkets (SM)	Food supermarkets (SM)	Food supermarkets (SM)
<b>Youme Mart Kumamoto Co., Ltd.</b> Former name: Yume Mart Co., Ltd.	<b>Youme Mart Kitakyushu Co., Ltd.</b> Former name: Super Daiei Co., Ltd.	<b>YOURS Co., Ltd.</b>
Youme Mart Kumamoto Co., Ltd. manages 23 "Youme Mart" supermarkets with close ties to the local community in Kumamoto Prefecture. We carry a wide variety of specialty products made in the prefecture such as fresh foods and seasonings.	Youme Mart Kitakyushu Co., Ltd. manages 32 "Youme Mart" supermarkets in Fukuoka Prefecture, Oita Prefecture, and Yamaguchi Prefecture. We concentrate on employee training by holding fresh food skills contests and other events.	YOURS Co., Ltd. operates 24 stores in Hiroshima Prefecture and Okayama Prefecture. We operate YOURS, a business platform closely related to daily living, and Avance, a business platform that offers high-quality ingredients.

Retail-peripheral operations

Credit card operations	Facility management, construction, designated management operation	Restaurant operations
<b>YOU-ME CARD.CO., LTD.</b>	<b>IZUMI TECHNO Co., Ltd.</b>	<b>IZUMI FOOD SERVICE CO., LTD.</b>
In addition to credit card (Youme Card) and e-money (Yumeca) operations, YOU-ME CARD.CO., LTD. also has travel agent and life insurance agent operations.	IZUMI TECHNO Co., Ltd. is responsible for facility management and construction focusing on Izumi Group stores. We also handle designated management operations utilizing our expertise.	IZUMI FOOD SERVICE CO., LTD. operates a range of restaurant operations with a main focus on food court. Our Okonomiyaki pancakes, ice cream, Chinese food and other options are very popular.

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



# Topics 2019-2021

## The fiscal year ended in February 2020 (March 2019-February 2020)

### New and remodeled Youme Towns opened

#### Youme Town Fukuyama

Opened in June 2019. We have taken over the operation of an Ito-Yokado Fukuyama, which has been loved by the local community for the last 20 years, and reopened it as Youme Town Fukuyama.



#### Youme Town Hikari no Mori

Opened after renovations in June 2019. We expanded the store area and added a multistory parking lot, powder rooms, and we also introduced 21 new specialty stores.



#### Youme Town Takamatsu

Opened after renovations in September 2019. With the mindset of "Seeking to please our customers most in Shikoku," we built the largest food court in all of Shikoku.



## Capital and business alliance with Maruyoshi Center Inc.,

aiming to further implement the dominance strategy in Shikoku.

In order to pursue further implementation of the dominance strategy in Shikoku, we formed a capital and business alliance with Maruyoshi Center Inc. in November 2019.

Maruyoshi Center operates supermarkets in Kagawa Prefecture, Tokushima Prefecture, Ehime Prefecture, etc. to mainly sell foods, which means its marketing areas are distinct from those of Izumi, whose core business is large-scale shopping centers that appeal to customers from wider areas. Because of this, we considered that utilizing each other's management resources would increase our competitiveness, and as such, we entered into a cooperative agreement.

### Major content of the business alliance

- ◆ Review of merchandise purchasing (price, suppliers, etc.)
- ◆ Amplifying economies of scale through cooperative purchasing
- ◆ Building routes for local products including perishable items and reducing their cost
- ◆ Sharing loyalty card strategy (points, contactless payment options)
- ◆ Cooperation in logistics, promotion, materials purchasing, etc.
- ◆ Co-development of prepared food, cooperation in manufacturing
- ◆ Human resources exchange (education and training to employees, meetings, etc.)
- ◆ Cooperation in opening new stores and closing stores
- ◆ Business management and store management methods for improving productivity



Maruyoshi Center

## The fiscal year ending in February 2021 (March 2020-February 2021)

### Sales commencement of Seven Premium

On March 2, 2020, sales of Seven Premium products started at Izumi's directly managed stores and Izumi Group's supermarkets. Seven Premium is a brand of original products developed and sold by Seven & i Holdings. Seven Premium products boast high quality and are expected to benefit from women's advancement in society, aging society, and growing health-consciousness. Additionally, we withdrew from the Nichiryu Group in February 2020, and ended sales of the private brand, Kurashi More.



### Driving digital investment

#### Improvement of E-commerce shops

We rebuilt our previous "Youme Shop" e-commerce site and reopened it under the name "Youme Online" on March 31, 2020. We expanded procurement options for customers, not limited to delivery, but also store pick-up, making the service more convenient.



#### Enhancement of app functions

We enhanced the mobile coupon and payment functions to deliver accurate content to each and every customer and improve efficiency of sales promotion.

# CSR Management

The Izumi Group aims to become a company that fulfills its social responsibility through the daily actions of each and every employee, and conducts management actions with an emphasis on enhancing the environment (E), society (S), and governance (G).

We adhere to the CSR guidelines and raise awareness in our employees, and have set the "Izumi Group Charter of Conduct," according to which we endeavor to carry out day-to-day operations while complying with applicable laws and regulations. In addition, training on compliance to all employees is regularly conducted with the Compliance and Risk Management Committee leading the way.

Since we handle sensitive personal information about our customers gained through our operations, we have established the "Izumi Privacy Policy" in order to protect that information, 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 do our best to disclose non-financial information when appropriate and in a responsible manner while keeping ESG as a core principle.



### Basic policy for fulfilling social Responsibility

- 1 Striving continually to grow and move ahead, we will promote management notable for the speed with which it handles the challenges of change. To achieve this, we will base corporate activities around the life and culture of the community under the themes of "building dreams" and "building communities." We take our mission to be the fulfillment of our social responsibility through the development of stores. Fostering the finest qualities of local communities, we aim to be the No.1 regional store.
- 2 With regard to corporate activities, based on a solid foundation of compliance management, we will work to build deeper relationships of trust with customers, local communities, shareholders and business partners.
- 3 The purpose of our directors and employees is to take pride in our contributions to the community, create something worthwhile that opens the way to personal growth, please our customers, and make our stores reflect their desires.



**Surplus electricity from residential photovoltaic systems utilized!**  
Introducing a new service, "Yumeca (e-money) Plan,"  
to support the reduction of carbon emissions



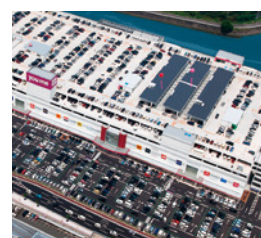
We commenced a new service called "Yumeca (e-money) Plan," to support a surplus electricity purchasing system (feed-in tariff) generated by residential photovoltaic systems, in cooperation with The Chugoku Electric Power Co., Inc. in November 2019. This is a service where The Chugoku Electric Power purchases surplus electricity from residential homes, which is then used for Izumi stores in order to reduce carbon emissions.



**Conserving energy in the facilities and systems of our stores!**  
Photovoltaic system installed on a roof



Youme Town Hatsukaichi is the first Izumi location to implement a rooftop photovoltaic system. We have installed a 350kW photovoltaic system over approximately 2,900 m<sup>2</sup> in order to generate enough power to operate a small-scale supermarket. We strive to reduce energy usage every year, aiming for as close to zero as possible.



Photovoltaic panels placed on the rooftop parking lot in Youme Town Hatsukaichi

**Efforts to create better stores by utilizing customer feedback**



We take comments we receive from feedback forms at our stores and via calls seriously. The members of the "Customer Feedback Project" at our head office aggregate these customers' comments and opinions, utilizing them to improve our operations and services. In the back room of each store, customer feedback is posted along with customer requests that are shared by our employees, and we search for the best response together.



Accepting feedback via our website as well

**Introducing the new "Permanent Home Area" full-time employment system with no transfers**



In addition to regular full-time employment and "Area" full-time employment, we have introduced "Permanent Home Area" full-time employment so that our employees can choose how to work depending on their lifestyle. This employment system requires no transfers that would force them to move. 60 motivated people joined us under this system in the first year of its introduction.



At the orientation ceremony

**Turning food waste into fertilizer and fuel!**  
Promoting resource recycling



At our stores, we separate and manage food waste such as fish processing waste and waste oil in order to recycle it. We succeeded in recycling 40.8% (2,902t) of food waste in FY2019 and reused it effectively as resources. Food waste is transferred to specialized companies and turned into fertilizer, and most of the waste oil is processed into livestock feed, while some into biodiesel fuel.



Biodiesel fuel processing facility at FUCHIGAMI Co., Ltd.

**Saving natural resources through recycling benefits at "Ecoste"**



At our "Ecoste" waste paper collection stations located at 71 stores, we grant reward points depending on the weight of newspapers and magazines returned. The accumulated points can be used for shopping, providing an incentive that is very popular with customers. We also have recycling receptacles for milk cartons, plastic trays for food, etc. in our stores all over Japan.



"Ecoste" station placed at the corner of a parking lot

**Preventing illness through collecting health points!**  
Points are given when purchasing health-conscious items



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 in which you are given points when purchasing eligible health-conscious items, 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

**Goal to achieve a ratio of over 20% female employees in management positions to promote women's leadership development**



Izumi launched the "Youme Can Project" (Female Leadership Development Project) in 2014. We have expanded childcare leave, shorter work hours for employees with children, nursing care leave, etc. depending on employee needs, to establish a system where female employees can safely come back to work after childcare leave.



At a female leadership development training

**Reducing the use of plastic bags and wrapping paper!**  
Steady resource consumption reductions



Izumi has been cooperating with local governments and civil service groups to work toward the reduction of plastic bag usage since 1997. Year by year, customers' understanding on economical use of resources have increased; the ratio of customers bringing their own shopping bags has now reached over 60%. At 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.



Signage promoting our eco wrapping options

**Energy conservation in the Distribution Division**



We also drive energy conservation in the Distribution Division for our merchandise. At our Izumi Hiroshima Distribution Center (Nishi-ku, Hiroshima City) which opened in 2015 after integrating four of our distribution centers, we ship non-perishable foods and chilled foods in the same vehicles, reducing the number of transport vehicles. We also utilize collapsible plastic containers repeatedly in order to reduce the use of cardboard boxes.



A hub to increase transport efficiency Izumi Hiroshima Distribution Center

**"Youme Town Nursery" opened to support childcare for employees working at Youme Town Hikari no Mori**



In Youme Town Hikari no Mori, which reopened after renovation in June 2019, we opened "Youme Town Nursery" for the purposes of providing childcare for our employees and store tenants. This is Izumi's first effort toward supporting employee childcare needs in the form of a nursery. We plan to expand this effort to many other regions.



Youme Town Nursery

**Contribution to local communities through sports!**  
Launching "Izumi Maple Reds"



The "Hiroshima Maple Reds," a women's team of the Japan Handball League made a fresh start as Izumi's corporate team, the "Izumi Maple Reds" in April 2019. The team will be contributing to revitalizing society, offering inspiration and vitality to the local community through handball.

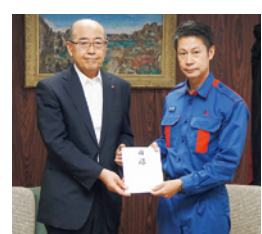


Players who participate actively in both their work and sports

**Contributing to revitalization by cooperating with the local government**  
55 cooperative arrangements established related to revitalization and disaster-response measures



We operate community-based store management and have established comprehensive regional revitalization cooperative arrangements for the purposes of industrial development and disaster-response measures. On the occasion of the Kumamoto Earthquake, the arrangements functioned well, resulting in the prompt provision of water and food. We also have put in place support activities such as in-store fundraising and restoration funds donations from the founding families of Izumi as well as various measures such as revising the BCP (business continuity plan).



Donation made to Governor Hidehiko Yuzaki at Hiroshima Prefectural Office

**For prevention of spread of COVID-19**



Under the policy of placing the highest priority on the safety and security of customers and employees, while fulfilling our mission as a lifeline that reliably supplies daily necessities to local residents, we followed the request for suspension of operations in each prefecture and suspended operations of specialty stores in Youme Towns, and also operated some stores with reduced hours. We also installed a transparent barrier to prevent droplets at cashier stations to help minimize the chances of contact, which is important for preventing the spread of infection.



A vinyl barrier installed in front of a cashier

**Promoting food safety within the organization!**  
Ensuring food safety awareness for all employees



At Izumi, food quality checkers educated by an external quasi-official organization are deployed to all stores and check for quality, freshness, and area of origin information. We also regularly hold product display training sessions for those in management positions, preparing for the responsibility of maintaining food safety across the entire organization. In 2019, Youme Mart Mimasaka was awarded with the Okayama Governor's Food Safety and Sanitation Award.



Food quality checker

**A legal compliance seminar is held, emphasizing the importance of having equitable relationships with partner companies**



Izumi places great importance on having equitable relationships with partner companies, and hold a "Fair-trade Seminar" twice a year for management personnel. At these seminars, easy-to-understand lectures on applicable laws and regulations such as the Anti-Monopoly Act and Subcontract Act are given.



At the seminar



### Basic approach

We meet the expectations of our customers, employees, business partners, local communities, and other stakeholders by maximizing corporate value through achieving customer satisfaction. At the same time, we will fulfill our social responsibility with high moral standards. In order to improve corporate value over the medium to long term, we are continuously promoting compliance management to reform the management organization, establish various systems and enhance the internal control system, and working to enhance corporate governance that is trusted by our stakeholders as priority issues to improve transparency, fairness and productivity of corporate activities.

## Matters related to the functions such as the execution of business, audit and supervision, nomination and decision of remuneration

### Outline of Corporate Governance System and Reason for Adoption

The Board of Directors has eight 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 eight directors, one President and Representative Director is selected and ten executive officers are elected for the execution of business.

A management meeting, which has six directors (excluding two outside directors), is held weekly as necessary to consult on matters to be discussed by the Board of Directors and matters to be determined on other policies such as management policies and strategies. The Presidents of the Group companies are summoned for the monthly Results Brainstorming Meeting for the review of their business conditions, and the business results, financial situation and other important information of Group companies is required to be reported once every three months at the Consolidated Evaluation Meeting.

The Audit & Supervisory Board consists of 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.

The Company has a voluntary Appointment/Remuneration Committee that reports the appointment of director/auditor candidates and the remuneration of individual directors to the Board of Directors, which then deliberates and makes a decision. Candidates are nominated for the Audit & Supervisory Board after an advance review by the Audit & Supervisory Board.

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.

### Status of Audits by Audit & Supervisory Board and Internal Audits

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).

The Company's internal audit function is bolstered by an Internal Audit Section, which is staffed by ten people and operates from within the Corporate Administration Department, 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.

## Our Response to the Corporate Governance Code

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

#### 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 will discuss setting evaluation criteria. In addition, medium to long-term performance-based remuneration has not been adopted, which is planned to be discussed in the optional Appointment/Remuneration Committee.

### 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. In FY2019, we targeted strategically held shares (eight listed shares) from the perspectives of holding purpose, benefits, risks and returns associated with holding, and importance of transactions at the meeting of the Board of Directors held on July 9, 2019, comprehensively verified the suitability of ownership and sold three shares.

#### 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

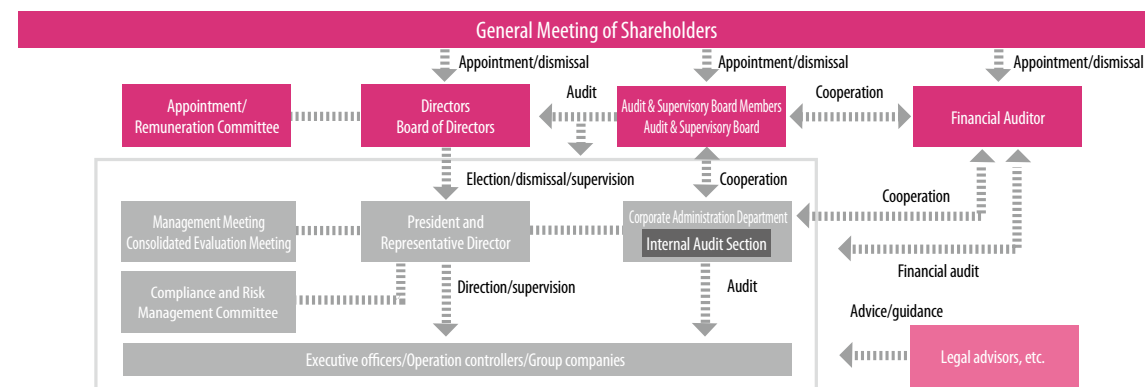
<https://www.izumi.co.jp/corp/ir/pdf/2019/chuki.pdf>

Regarding the financial forecast for FY2020, the final year of the Medium-Term Management Plan, as it remains unclear as to whether infections of the novel coronavirus (COVID-19) will continue to spread or decrease, it is difficult to predict the impact of the government's declaration of a state of emergency and large-scale economic measures. Given this situation, as there are many uncertainties at this time that could affect the financial results, the company has determined that it would be difficult to appropriately and reasonably calculate the forecast of the financial results. Accordingly, the forecast of the financial results is yet to be determined. The forecast of the financial results will be announced promptly once it becomes possible to make a reasonable calculation.

##### (ii) Basic stance and basic policy towards corporate governance

We meet the expectations of our customers, employees, business partners, local communities, and other stakeholders by maximizing corporate value through achieving customer satisfaction. At the same time, we will fulfill our social responsibility with high moral standards. In order to improve corporate value over the medium to long term, we are continuously promoting compliance management to reform the management organization, establish various systems and enhance the internal control system, and working to enhance corporate governance that is trusted by our stakeholders as priority issues to improve transparency, fairness and productivity of corporate activities.

### Organizational chart of performance of duties, audit and internal control



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

The limit for director remuneration is set at 500 million yen (including 30 million yen for outside directors, not including salaries for employees who also serve as directors) by resolution of the General Meeting of Shareholders (revised on May 25, 2018). Regarding the amount of director remuneration and its calculation method, the amount of remuneration is decided based on the business performance of the Company and annual evaluations according to the content of each director's duties. Appointment/Remuneration Committee deliberates on matters related to the compensation of directors based on this policy.

The Appointment/Remuneration Committee has five members, three of which are internal directors and two of which are outside directors, and the chairman is the President and Representative Director. The Appointment/Remuneration Committee deliberates on the evaluation of each director and reports the amount of director remuneration to the Board of Directors, which then decides the amount of remuneration for each director after carefully deliberating the report from the Appointment/Remuneration Committee.

**(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 based on deliberations and the report by the Appointment/Remuneration Committee. In addition, for CEO, we make efforts 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 consideration by the Board of Directors based on deliberations and the report by the Appointment/Remuneration Committee.

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 approval from the Audit & Supervisory Board and based on deliberations and the report by the Appointment/Remuneration Committee.

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 senior management members (including CEO), people who are no longer able to fulfill the above-mentioned essential conditions for senior management, or are objectively judged that the ones significantly deteriorated the Company's corporate value by failing to comply with regulation or the like are dismissed, subject to decisions after consideration by the Board of Directors based on deliberations and the report by the Appointment/Remuneration Committee.

**(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 eight 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 Appointment/Remuneration Committee and the Board of Directors. In addition, for the appointment of 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 appointed, subject to decisions after sufficient deliberation by the Appointment/Remuneration Committee and 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

August 2019: Implementation of a questionnaire to evaluate the effectiveness of the board of directors

September 2019: Report on the results of the questionnaire and sharing of issues with the Board of Directors

October 2019: 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, the progress review of our Medium-Term Management Plan, and the introduction of medium to long-term performance-based remuneration.

(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**

For directors, 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 held regularly. In addition, internal directors work

to improve themselves day to day through interaction with industry organization such as the Japan Chain Stores Association and the Japan Supermarkets Association, discussions with external managers, 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 outside 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, General Manager for Administration Division 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.

■ An overview of our IR activities is described in "III. Implementation Status of Measures Related to Shareholders and Other Stakeholders 2. Status of IR Activities" in the Corporate Governance Report.

■ 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 Department, 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, the Izumi Group Compliance and Risk Management Committee has also 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 27, 2020)

**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 Manager of the Controller Section of the Sales Department of the Company
- September 2003 Becomes Section Manager 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 Manager 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 Manager 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 Operation Department Manager of the Company's Kyushu South zone (current position)
- April 2020 Becomes Managing Director and Tenant Relations Division Manager of the Company (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  
Hiroshi Kuromoto**

- April 1982 Joins the Company
- July 1997 Becomes Section Manager of New Store Planning Section of the Company
- February 1999 Becomes Tenant Introduction Section Manager of Tenant Relations Department of the Company
- August 2003 Becomes Tenant Relations Department Manager of the Company
- February 2007 Izumi Development Co., Ltd.\* President and Representative Director
- January 2009 Becomes Executive Officer and Development Division Manager of the Company
- May 2020 Becomes Director and Development Division Manager of the Company (current position)

\* Izumi Development Co., Ltd. performed the same function as that which our Development Division does now, and was merged in September 2009.

**Reasons for Appointment as a Director**  
Hiroshi Kuromoto has vast experience in securing locations for construction and opening of stores, and has supported our branch strategy as the Development Division Manager for a long time, delivering results. The board also judged that he would be able to contribute for branch strategy in medium-long term, and therefore appointed him as director.

**Director  
Akio Nitori** 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 Furniture Wholesale Center 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 Nitori Group's Nitoli Holdings Inc., Japan's top manufacturer, distribution and retailer of furniture and interior goods, Akio Nitoli 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. He 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.

**Audit & Supervisory Board Members**

(As of May 27, 2020)

**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 an 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  
Hirotaka Okada** Outside Auditor Independent

- July 2009 Becomes Director of Takehara Tax Office
- July 2013 Becomes Director of Administration and Legal Division, Planning and Administration Department of Hiroshima Regional Taxation Bureau
- July 2014 Becomes Chief Internal Inspector, Hiroshima Regional Taxation Bureau, Commissioner's Secretariat of the National Tax Agency
- July 2016 Becomes Assistant Regional Commissioner, Large Enterprise and Criminal Investigation Department, Hiroshima Regional Taxation Bureau
- July 2017 Leaves Large Enterprise and Criminal Investigation Department, Hiroshima Regional Taxation Bureau
- August 2017 Begins a tax accountant office (current position)
- May 2020 Becomes Auditor for the Company (current position)

**Reasons for Appointment as an Outside Auditor**  
Hirotaka Okada has held senior positions in important departments of the National Tax Agency. As Okada possesses extensive experience and expert knowledge as an accountant as well as personality and insight that are highly conscious of compliance, we appointed him as an outside auditor. We affirm to the best of our knowledge that we have no personal relationships, capital relationships, business relationships, or any other interest with him. Since he is in a position to be considered not to have conflicts of interest with our general stockholders, he has also been appointed as an independent 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. He 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. He 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 Member  
Tomoko Horikawa** Outside Auditor Independent

- October 1991 Certified public accountant, joins Century Audit Corporation
- October 1994 Becomes Audit & Supervisory Board Member Chugoku Mokuzai Co., Ltd. (part-time)
- March 1999 Leaves Century Audit Corporation
- Joins Chugoku Mokuzai Co., Ltd. as Audit & Supervisory Board Member (full-time)
- April 2004 Becomes Director and Division Manager of the Corporate Planning Division
- April 2012 Becomes Managing Director, Division Manager of the Corporate Planning Division, and General Manager of President's Office
- February 2015 Becomes President (current position)
- May 2020 Becomes Auditor for the Company (current position)

**Reasons for Appointment as an Outside Auditor**  
As Tomoko Horikawa possesses insight as a corporate manager and accounting specialist, we appointed her as an outside auditor. We affirm to the best of our knowledge that we have no personal relationships, capital relationships, business relationships, or any other interest with her. Since she is in a position to be considered not to have conflicts of interest with our general stockholders, she has also been appointed as an independent director according to the stipulations of the Tokyo Stock Exchange.

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

	FY2/2010	FY2/2011	FY2/2012	FY2/2013	FY2/2014	FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020
<b>Operating results</b> (millions of yen)											
Operating revenue	492,140	502,379	515,875	535,510	556,852	579,739	668,784	702,121	729,857	732,136	744,349
Net sales	468,742	478,988	491,955	510,438	530,871	552,746	638,754	670,253	696,266	697,679	709,455
Operating profit	20,410	21,783	24,254	27,949	29,100	30,330	31,912	35,670	38,487	35,273	31,888
Ordinary profit	19,730	20,949	23,539	27,102	28,446	29,767	31,102	35,688	38,208	35,099	31,979
Profit attributable to owners of the parent	8,752	9,941	11,062	16,187	17,384	17,360	18,766	17,015	26,932	23,488	19,953
Cash flows from operating activities	34,427	12,181	25,561	27,196	25,683	52,246	13,553	33,104	42,592	33,642	57,681
Cash flows from investing activities	(20,253)	(8,230)	(9,682)	(20,356)	(19,948)	(20,897)	(26,071)	(19,938)	(29,067)	(19,101)	(16,693)
Cash flows from financing activities	(8,393)	(7,117)	(21,934)	(6,272)	(5,501)	(25,159)	12,956	(16,252)	(15,477)	(14,793)	(40,142)
Cash and cash equivalents at the end of period	15,490	12,316	6,260	6,862	6,800	12,990	13,429	10,342	8,389	8,136	8,982
Depreciation	15,115	14,551	13,854	13,464	12,827	12,902	15,044	15,691	16,171	15,862	16,164
Amortization of goodwill	—	—	—	28	114	151	454	1,078	997	822	785
Capital investment	16,169	5,478	15,139	18,705	30,813	24,451	21,435	27,727	15,869	21,507	17,514
<b>Financial condition</b> (millions of yen)											
Total assets *1	388,277	368,584	370,377	379,824	397,071	432,416	468,026	476,885	479,867	484,876	490,106
Net assets	123,745	132,513	125,389	126,139	130,178	145,709	157,851	171,963	194,851	211,546	226,264
Shareholders' equity	117,059	122,537	112,302	115,380	120,211	134,818	147,648	160,566	182,956	199,897	214,345
Interest-bearing liabilities	166,058	160,743	158,106	167,471	173,999	157,922	193,018	182,146	171,995	162,974	128,928
<b>Financial indicators</b>											
Operating profit ratio on sales	4.4%	4.5%	4.9%	5.5%	5.5%	5.5%	5.0%	5.3%	5.5%	5.1%	4.5%
Return on equity (ROE)	7.7%	8.3%	9.4%	14.2%	14.8%	13.6%	13.3%	11.0%	15.7%	12.3%	9.6%
Return on assets (ROA)	5.1%	5.5%	6.4%	7.2%	7.3%	7.2%	6.9%	7.6%	8.0%	7.3%	6.6%
Equity ratio	30.1%	33.2%	30.3%	30.4%	30.3%	31.2%	31.5%	33.7%	38.1%	41.2%	43.7%
Dividend payout ratio	17.4%	15.3%	16.2%	18.4%	18.2%	21.1%	24.4%	27.8%	20.0%	24.4%	28.7%
<b>Per-share indicators</b> (yen)											
Book value per share (BPS)	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	2,991.24
Earnings per share (EPS)	91.86	104.35	123.74	207.01	236.55	241.6	261.96	237.45	375.83	327.79	278.45
Dividend per share (DPS)	16.00	16.00	20.00	38.00	43.00	51.00	64.00	66.00	75.00	80.00	80.00
<b>Non-Financial Information</b>											
Total number of issued shares at the end of period (unit: shares)	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	71,665,200
Number of treasury shares at the end of the period (unit: shares)	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	7,346
Number of stores at the end of period (Group) (unit: stores) *2	99	100	102	111	121	156	217	198	200	202	197
Number of stores at the end of period (Non-consolidated) (unit: stores)	85	87	88	92	102	103	103	105	110	112	111
Net sales for existing stores year-on-year (Non-consolidated)	95.3%	100.1%	101.2%	100.1%	102.7%	101.8%	101.4%	101.5%	99.2%	99.4%	99.1%
Cumulative number of Yumeca (e-money) issued (unit: 10,000 cards)	—	1	43	116	350	475	551	617	684	752	811
Number of employees (unit: people)	3,542	3,500	3,334	3,344	3,151	3,467	4,164	4,072	4,189	4,358	4,455
Part-time employees (unit: people) *3	7,165	7,009	6,950	7,088	7,297	8,503	10,225	10,761	11,263	11,234	11,457

\*1 Due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) at the beginning of the current consolidated fiscal year, the figures for FY2/2019 are after retroactive application.

\*2 Total number of stores for Izumi Co., Ltd. and four food supermarket subsidiaries.

\*3 Part-time employees are annual average number of employees based on 8-hour equivalent.



## Protecting local shopping lifelines Pursuing business sustainability by improving management efficiency

### Tatsuya Mikamoto

Senior Management Director,  
Administration Division Manager



### Results of operations

During the fiscal year under review, it was reported that there was continued growth in the Japanese economy; however, due to the pandemic caused by COVID-19 impacting global production activity as well as trade issues between the United States and China, the global economy is facing an uncertain outlook. As far as household economies are concerned, as awareness of prices has risen due to sluggish wage growth and concerns about the future of pensions, there has been a growing attention toward saving after the consumption tax hike, and a tendency to refrain from unnecessary consumption.

Under such circumstances, the Group released its Medium-Term Management Plan (for a three-year period from the fiscal year ending February 2019 to the fiscal year ending February 2021) guided by the management vision of "striving for Japan's No. 1 high quality regional GMS," and we have moved ahead with the plan. However, facing the pending issue of a decline in the profitability forecast of new stores due to a weak consumer environment, difficulty in hiring due to a lack of human resources, and soaring construction costs, we made a downward revision of the numerical targets in the Medium-Term Management Plan for April of this fiscal year, which is the second year in the plan. Without changing the basic concepts such as the management vision and while slightly curbing new store opening plans, we increased the investment ratio in renovations, use of the "scrap-and-build" approach, digital transformation, M&A, etc. to revitalize existing stores. In short, we have launched a growth strategy that emphasizes profitability more than ever.

As a result, sales revenues increased, but profits decreased, recording an operating revenue increase of 1.7% for the fiscal year under review.

### Results summary

In operating revenue, net sales rose by ¥11,776 million (up 1.7% year on year) to ¥709,455 million. Operating revenue increased by ¥436 million (up 1.3%) to reach ¥34,893 million. This is mainly attributable to the operation of new stores and the increase in sales of stores from increased floor space and revitalization. Gross profit came in at ¥156,103 million, an increase of ¥2,532 million compared to the previous year. The gross profit margin was 22.0% which is same rate as the one of FY2019.

With regard to selling, general and administrative expenses (SG&A), along with the increase in operating costs of new stores, etc., mainly personnel expenses and advertising expenses increased during this fiscal year, resulting in costs of ¥159,108 million, an increase of ¥6,353 million (up 4.2%) compared to the previous year. The SG&A margin was 22.4%, which is 0.5 percentage points higher than the previous fiscal year. Accordingly, operating profit decreased by ¥3,385 million (down 9.6%) to ¥31,888 million, for an operating margin of 4.5%, which was 0.6 percentage points lower than the previous fiscal year.

Non-operating income decreased by ¥34 million (down 2.3%) to ¥1,484 million. Non-operating expenses decreased by ¥299 million (down 17.7%) to ¥1,393 million including the factor that interest expenses decreased. As a result, ordinary profit decreased by ¥3,120 million (down 8.9%) to ¥31,979 million. An ordinary profit margin was 4.5%, which was down 0.5 percentage points from the previous fiscal year.

Extraordinary income came to ¥669 million, down ¥811 million from the previous fiscal year. This was mainly attributable to gain on sales of non-current assets of ¥329 million and revenue from subsidy income of ¥310 million. Meanwhile, extraordinary losses mainly consisted of an impairment loss of ¥1,146 million, loss on valuation of investment securities of ¥486 million, and loss on store closings of ¥419 million, which totaled ¥2,803 million, a decrease of ¥281 million compared to the previous fiscal year.

Total income taxes were ¥9,505 million, down ¥389 million year on year. Profit attributable to non-controlling interests was ¥385 million (up ¥274 million compared to the previous fiscal year).

As a result of the above, profit attributable to owners of parent decreased ¥3,535 million (down 15.1%) to ¥19,953 million for a net profit margin of 2.8%, which was down 0.6 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 ¥17,514 million. As a result, property, plant and equipment, after accounting for depreciation, decreased by ¥673 million. Notes and accounts receivable-trade rose by ¥6,608 million due to an increase in credit transactions. Current assets and others increased by ¥1,351 million due to an increase in trade accounts receivable,

etc. since the last day of the fiscal year was a non-business day for banks.

With regard to liabilities, notes and accounts payable-trade increased by ¥18,702 million due to the clearing being carried over to the beginning of the next month, etc. since the last day of the fiscal year was a non-business day for banks. Accounts payable-other increased by ¥5,238 million due to factors including the increase in amount owed for equipment related to the construction of new stores. Short-term borrowings and long-term borrowings fell by a combined ¥34,005 million.

In net assets, retained earnings rose by ¥14,220 million due to an increase in internal reserves. As a result of this, the equity ratio was 43.7%, 2.5 percentage points higher than the 41.2% 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 ¥29,845 million, depreciation of ¥16,164 million, and an increase in trade payables of ¥18,708 million. The main cash outflows were an increase in trade receivables of ¥6,570 million and income taxes paid of ¥9,448 million.

The main item in cash outflows from investing activities was the purchase of property, plant and equipment which came to ¥15,266 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 borrowings of ¥11,000 million. The main outflows were a decrease in short-term borrowings of ¥24,046 million, repayments of long-term borrowings of ¥21,259 million, and cash dividends paid of ¥5,732 million.

In consequence, cash and cash equivalents at the end of the period increased by ¥845 million over the end of the previous fiscal year to ¥8,982 million.

### Dividend policy

In terms of dividends paid from surplus this fiscal year, the interim dividend was ¥40 per share (same as the previous fiscal year). The year-end dividend has been kept to ¥40 per share. As a result, the annual dividend comes to ¥80 per share (same as the previous fiscal year).

We will apply the internal reserves to investment in growing areas while enhancing the financial strength by reducing interest-bearing debts, etc.

### Outlook for the fiscal year ending February 28, 2021

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 "striving for Japan's No.1 high quality regional GMS," we have set forth measures for a growth strategy in order to use the difficult management environment as an opportunity and further improve growth and corporate value. On the other hand, we have made downward revisions to the plan and promoted it in light of the prospect that subsequent rapid changes in the external environment will continue for some time to come. For details, please refer to the "Notice concerning review of

Medium-Term Management Plan" announced on April 9, 2019. With a view to enhancing corporate value over the medium to long term, we will improve the productivity of existing businesses and create a lean corporate structure by expanding investment in M&A, human resource development, and digital transformation while curbing new capital investment. Through these measures, we will achieve customer satisfaction and further expand and cultivate regional dominance, thereby increasing management efficiency and leading to further corporate growth.

Regarding future outlook, in addition to changes in the macro environment, there is concern that the global pandemic of COVID-19 will have a major impact on global production activities. Also in Japan, like in the event of large-scale disasters, demand for daily necessities rose sharply while that for other consumption including leisure and service decreased, giving us an expectation that demand will continue to change. These issues are affecting the entire world, and there is concern about a global recession that goes beyond the Lehman Brothers collapse.

Under these circumstances, while the Group's sales in the supermarket category are increasing, the number of store visits to the shopping center category is decreasing due to the increased attention to refraining from unnecessary store visits. Although the State of Emergency declared in April 2020 by the government has been lifted, we consider the possible spread of a second wave and its prolongation in the future as a growing risk of not being able to continue operating stores in a normal fashion due to various events including store closures, head office malfunctions, and collapse of the merchandise distribution systems from supply chain disruption. Looking ahead, as the spread of COVID-19 in Japan, which began in earnest in the first quarter of this fiscal year, is coming under control, while store management and other business activities will normalize in the second quarter and beyond, it is expected that store management will be constrained by the increasingly difficult business environment due to factors such as worsening employment and income conditions and changes in consumer behavior, such as a shift to a "new lifestyle" based on coexistence with COVID-19.

We will give top priority to the health and safety of local communities and our employees, and will do our best to create an environment where people can visit and work with peace of mind as well as to provide a stable supply of daily necessities. Through this effort, we will endeavor to prevent the spread of COVID-19, promote the business continuity plan (BCP), play a role as a regional lifeline, and resolutely implement inventory and cost reductions in response to the risk of performance deterioration. Our comparable store sales for the period are expected to be 93.6% of the previous year's sales.



## Consolidated Balance Sheet

IZUMI CO., LTD. and its Consolidated Subsidiaries

As of Feb. 28, 2019 and Feb. 29, 2020

(Millions of yen) (Thousands of U.S. dollars)  
As of Feb. 28, 2019 As of Feb. 29, 2020 As of Feb. 29, 2020

	(Millions of yen) As of Feb. 28, 2019	(Millions of yen) As of Feb. 29, 2020	(Thousands of U.S. dollars) As of Feb. 29, 2020
<b>(Assets)</b>			
Current assets:			
Cash and deposits	8,136	8,982	83,113
Notes and accounts receivable—trade	39,784	46,392	429,277
Merchandise and finished goods	28,355	25,780	238,549
Work in process	22	13	120
Raw materials and supplies	558	535	4,950
Other	15,890	17,242	159,545
Allowance for doubtful accounts	(584)	(644)	(5,959)
Total current assets	92,164	98,302	909,614
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	393,145	399,826	3,699,695
Accumulated depreciation	(230,168)	(238,153)	(2,203,692)
Buildings and structures, net	162,976	161,672	1,495,993
Machinery, equipment and vehicles	9,445	10,062	93,106
Accumulated depreciation	(6,304)	(6,683)	(61,840)
Machinery, equipment and vehicles, net	3,141	3,379	31,267
Land	162,745	163,240	1,510,502
Leased assets	382	117	1,083
Accumulated depreciation	(337)	(106)	(981)
Leased assets, net	45	10	93
Construction in progress	1,607	1,552	14,361
Other	42,161	42,148	390,006
Accumulated depreciation	(34,557)	(34,556)	(319,756)
Other, net	7,604	7,591	70,242
Total property, plant and equipment	338,121	337,447	3,122,485
Intangible assets:			
Goodwill	3,958	3,172	29,351
Other	8,219	8,307	76,867
Total intangible assets	12,177	11,479	106,218
Investments and other assets:			
Investment securities	10,396	11,039	102,147
Long-term loans receivable	1,584	1,563	14,463
Deferred tax assets	8,271	8,326	77,043
Leasehold and guarantee deposits	17,540	17,722	163,986
Other	5,180	4,783	44,258
Allowance for doubtful accounts	(559)	(558)	(5,163)
Total investments and other assets	42,413	42,877	396,752
Total non-current assets	392,711	391,804	3,625,465
Total assets	484,876	490,106	4,535,079

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥108.07=U.S. \$1 as of February 28, 2020.

(Millions of yen) (Thousands of U.S. dollars)  
As of Feb. 28, 2019 As of Feb. 29, 2020 As of Feb. 29, 2020

	(Millions of yen) As of Feb. 28, 2019	(Millions of yen) As of Feb. 29, 2020	(Thousands of U.S. dollars) As of Feb. 29, 2020
<b>(Liabilities)</b>			
Current liabilities:			
Notes and accounts payable—trade	31,275	49,977	462,450
Short-term loans borrowings	25,746	2,000	18,507
Current portion of long-term borrowings	21,264	19,925	184,371
Accounts payable—other	10,415	15,653	144,841
Income taxes payable	4,777	5,089	47,090
Provision for bonuses	2,132	2,206	20,413
Provision for bonuses for directors (and other officers)	10	27	250
Provision for point card certificates	2,558	2,695	24,938
Provision for loss on recollection of gift certificates	166	81	750
Asset retirement obligations	130	13	120
Other	15,005	16,291	150,745
Total current liabilities	113,482	113,962	1,054,520
Non-current liabilities:			
Long-term borrowings	115,912	106,991	990,016
Lease obligations	11	5	46
Long-term leasehold and guarantee deposits received	24,008	23,498	217,433
Provision for retirement benefits for directors (and other officers)	2,176	1,002	9,272
Provision for loss on interest repayment	102	114	1,055
Retirement benefit liability	8,050	8,514	78,782
Deferred tax liabilities	1,334	1,413	13,075
Asset retirement obligations	7,914	8,099	74,942
Other	336	237	2,193
Total non-current liabilities	159,846	149,879	1,386,870
Total liabilities	273,329	263,841	2,441,390
<b>(Net assets)</b>			
Shareholders' equity:			
Share capital	19,613	19,613	181,484
Capital surplus	22,247	22,267	206,042
Retained earnings	157,530	171,751	1,589,257
Treasury shares	(25)	(27)	(250)
Total shareholders' equity	199,367	213,604	1,976,534
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	737	753	6,968
Remeasurements of defined benefit plans	(208)	(12)	(111)
Total accumulated other comprehensive income	529	741	6,857
Non-controlling interests	11,649	11,918	110,280
Total net assets	211,546	226,264	2,093,680
Total liabilities and net assets	484,876	490,106	4,535,079

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥108.07=U.S. \$1 as of February 28, 2020.





## Consolidated Statement of Income

### IZUMI CO., LTD. and its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2019 and Feb. 29, 2020

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 28, 2019	Year ended Feb. 29, 2020	Year ended Feb. 29, 2020
Net sales	697,679	709,455	6,564,773
Cost of sales	544,107	553,351	5,120,302
Gross profit	153,571	156,103	1,444,462
Operating revenue	34,457	34,893	322,874
Operating gross profit	188,028	190,997	1,767,345
Selling, general and administrative expenses:			
Advertising and promotion expenses	14,864	16,430	152,031
Distribution expenses	8,073	8,215	76,016
Provision of allowance for doubtful accounts	183	230	2,128
Employees' salaries and bonuses	52,302	54,998	508,911
Provision for bonuses	1,902	2,011	18,608
Welfare expenses	9,903	10,456	96,752
Retirement benefit expenses	1,202	1,295	11,983
Rent expenses	11,556	11,855	109,697
Utilities expenses	8,639	8,471	78,384
Depreciation	15,357	15,672	145,017
Provision for retirement benefits for directors (and other officers)	515	61	564
Other	28,253	29,409	272,129
Total selling, general and administrative expenses	152,754	159,108	1,472,268
Operating profit	35,273	31,888	295,068
Non-operating income:			
Interest and Dividend income	258	250	2,313
Purchase discounts	299	291	2,693
Share of profit of entities accounted for using equity method	35	9	83
Penalty income	191	164	1,518
Other	734	768	7,107
Total non-operating income	1,518	1,484	13,732
Non-operating expenses:			
Interest expenses	919	818	7,569
Compensation expenses	160	142	1,314
Other	613	433	4,007
Total non-operating expenses	1,692	1,393	12,890
Ordinary profit	35,099	31,979	295,910
Extraordinary income:			
Gain on sales of non-current assets	55	329	3,044
Subsidy income	1,112	310	2,869
Income from insurance	309	—	—
Other	3	28	259
Total extraordinary income	1,480	669	6,190
Extraordinary losses:			
Loss on sales of non-current assets	27	21	194
Loss on retirement of non-current assets	313	333	3,081
Impairment loss	654	1,146	10,604
Loss on valuation of investment securities	47	486	4,497
Loss on store closings	—	419	3,877
Loss on changes in construction project	—	213	1,971
Loss on disaster	360	—	—
Contribution to relief	450	—	—
Loss on valuation of investments in capital	1,029	—	—
Other	201	183	1,693
Total extraordinary losses	3,085	2,803	25,937
Profit before income taxes:	33,495	29,845	276,164
Income taxes—current	10,418	9,685	89,618
Income taxes—deferred	(523)	(179)	(1,656)
Total income taxes:	9,894	9,505	87,952
Profit	23,600	20,339	188,202
Profit attributable to non-controlling interests	111	385	3,563
Profit attributable to owners of parent	23,488	19,953	184,630

## Consolidated Statement of Comprehensive Income

### IZUMI CO., LTD. and its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2019 and Feb. 29, 2020

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 28, 2019	Year ended Feb. 29, 2020	Year ended Feb. 29, 2020
Profit	23,600	20,339	188,202
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,165)	233	2,156
Remeasurements of defined benefit plans, net of tax	210	195	1,804
Total other comprehensive income	(954)	429	3,970
Comprehensive income	22,645	20,769	192,181
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	22,856	20,164	186,583
Comprehensive income attributable to non-controlling interests	(210)	604	5,598

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥108.07=U.S. \$1 as of February 28, 2020.

## Consolidated Statement of Changes in Equity

### IZUMI CO., LTD. and its Consolidated Subsidiaries

Fiscal year ended Feb. 28, 2019

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	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 period	19,613	22,247	139,951	(18)	181,795	1,580	(418)	1,161	11,894	194,851
Changes 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)
Changes in scope of consolidation			0		0					0
Change in scope of equity method			(177)		(177)					(177)
Net changes in items other than shareholders' equity						(842)	210	(632)	(245)	(877)
Total changes during period	—	—	17,579	(6)	17,572	(842)	210	(632)	(245)	16,695
Balance at end of period	19,613	22,247	157,530	(25)	199,367	737	(208)	529	11,649	211,546

Fiscal year ended Feb. 29, 2020

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	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 period	19,613	22,247	157,530	(25)	199,367	737	(208)	529	11,649	211,546
Changes during period										
Dividends of surplus			(5,732)		(5,732)					(5,732)
Profit attributable to owners of parent			19,953		19,953					19,953
Purchase of treasury shares				(2)	(2)					(2)
Purchase of shares of consolidated subsidiaries		19			19					19
Net changes in items other than shareholders' equity						15	195	211	269	480
Total changes during period	—	19	14,220	(2)	14,237	15	195	211	269	14,717
Balance at end of period	19,613	22,267	171,751	(27)	213,604	753	(12)	741	11,918	226,264

Fiscal year ended Feb. 29, 2020

(Thousands of U.S. dollars)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	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 period	181,484	205,857	1,457,666	(231)	1,844,795	6,820	(1,925)	4,895	107,791	1,957,491
Changes during period										
Dividends of surplus			(53,040)		(53,040)					(53,040)
Profit attributable to owners of parent			184,630		184,630					184,630
Purchase of treasury shares				(19)	(19)					(19)
Purchase of shares of consolidated subsidiaries		176			176					176
Net changes in items other than shareholders' equity						139	1,804	1,952	2,489	4,442
Total changes during period	—	176	131,581	(19)	131,739	139	1,804	1,952	2,489	136,180
Balance at end of period	181,484	206,042	1,589,257	(250)	1,976,534	6,968	(111)	6,857	110,280	2,093,680

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥108.07=U.S. \$1 as of February 28, 2020.

### Consolidated Statement of Cash Flows

IZUMI CO., LTD. and its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2019 and Feb. 29, 2020

(Millions of yen) (Thousands of U.S. dollars)

	Year ended Feb. 28, 2019	Year ended Feb. 29, 2020	Year ended Feb. 29, 2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	33,495	29,845	276,164
Depreciation	15,862	16,164	149,570
Amortization of goodwill	822	785	7,264
Increase (decrease) in allowance for doubtful accounts	153	176	1,629
Interest and dividend income	(258)	(250)	(2,313)
Interest expenses	919	818	7,569
Share of (profit) loss of entities accounted for using equity method	(35)	(9)	(83)
Subsidy income	(1,112)	(310)	(2,869)
Income from insurance	(309)	—	—
Loss (gain) on sales of non-current assets	(28)	(308)	(2,850)
Loss on retirement of non-current assets	313	333	3,081
Loss (gain) on sales of investment securities	17	(9)	(83)
Loss (gain) on valuation of investment securities	47	486	4,497
Impairment loss	654	1,146	10,604
Loss on store closings	—	419	3,877
Loss on changes in construction project	—	213	1,971
Loss on disaster	360	—	—
Loss on valuation of investments in capital	1,029	—	—
Decrease (increase) in trade receivables	(2,539)	(6,570)	(60,794)
Decrease (increase) in inventories	(519)	2,560	23,688
Increase (decrease) in trade payables	(3,373)	18,708	173,110
Increase (decrease) in retirement benefit liability	370	544	5,034
Other, net	2,125	1,938	17,933
<b>Subtotal</b>	<b>47,995</b>	<b>66,683</b>	<b>617,035</b>
Interest and dividend received	235	218	2,017
Interest paid	(935)	(812)	(7,514)
Subsidies received	112	1,040	9,623
Proceeds from insurance income	309	—	—
Payments associated with disaster loss	(186)	—	—
Income taxes (paid) refund	(13,887)	(9,448)	(87,425)
<b>Net cash provided by (used in) operating activities</b>	<b>33,642</b>	<b>57,681</b>	<b>533,737</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(17,378)	(15,266)	(141,260)
Proceeds from sales of property, plant and equipment	323	864	7,995
Purchase of intangible assets	(1,498)	(1,330)	(12,307)
Purchase of investment securities	(918)	(476)	(4,405)
Proceeds from sales of investment securities	204	39	361
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(51)	(472)
Other, net	165	(472)	(4,368)
<b>Net cash provided by (used in) investing activities</b>	<b>(19,101)</b>	<b>(16,693)</b>	<b>(154,465)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	1,076	(24,046)	(222,504)
Proceeds from long-term borrowings	19,500	11,000	101,786
Repayments of long-term borrowings	(29,521)	(21,259)	(196,715)
Purchase of treasury shares	(6)	(2)	(19)
Dividends paid	(5,732)	(5,732)	(53,040)
Dividends paid to non-controlling interests	(34)	(34)	(315)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(27)	(250)
Other, net	(74)	(40)	(370)
<b>Net cash provided by (used in) financing activities</b>	<b>(14,793)</b>	<b>(40,142)</b>	<b>(371,444)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(252)</b>	<b>845</b>	<b>7,819</b>
Cash and cash equivalents at beginning of period	8,389	8,136	75,285
Cash and cash equivalents at end of period	8,136	8,982	83,113

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥108.07=U.S. \$1 as of February 28, 2020.

### Company Summary

(As of February 29, 2020)

**Date of establishment** October 27, 1961  
**Head office** 3-3-1 Futabanosato, Higashi-ku, Hiroshima, Japan  
**Paid-in capital** ¥19,613,856,196  
**Number of employees** Full-time: 2,878  
 Part-time: 6,438 (8-hour shift equivalent)  
**Number of malls and stores** 111 (including 9 standalone X-SELL stores)

**Chugoku Region: 63**  
 Hiroshima Pref.: 32; Okayama Pref.: 10;  
 Yamaguchi Pref.: 14; Shimane Pref.: 7

**Kyushu Region: 36**  
 Fukuoka Pref.: 19; Oita Pref.: 3;  
 Kumamoto Pref.: 9; Saga Pref.: 3;  
 Nagasaki Pref.: 2

**Other Regions: 12**  
 Kagawa Pref.: 4; Tokushima Pref.: 1;  
 Hyogo Pref.: 3; Other: 4

### Major Shareholders

(As of February 29, 2020)

Name	Number of 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)	3,211	4.5%
The Hiroshima Bank, Ltd.	2,362	3.3%
Nippon Life Insurance Co.	2,093	2.9%
Yasuaki Yamanishi	2,036	2.8%
Izumi Hiroshima Kyoeikai	2,031	2.8%
The Dai-ichi Life Insurance Co., Ltd.	2,030	2.8%
National Mutual Insurance Federation of Agricultural Cooperatives	1,455	2.0%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,375	1.9%

Note: The percentage of total shares is calculated after excluding treasury stock (7,346 shares).

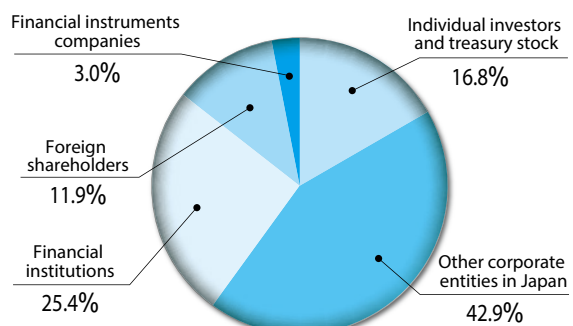
### Stock Information

(As of February 29, 2020)

**Total number of shares issued by the Company** 195,243,000  
**Total number of outstanding shares** 71,665,200  
**Number of shareholders** 6,633

### Distribution of Shares by Type of Shareholder

(As of February 29, 2020)



### Historical trend of stock price

