Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2024 (Based on Japanese GAAP)

January 14, 2025

Company name: IZUMI CO., LTD
Stock exchange listing: Tokyo
Stock code: 8273 URL: https://www.izumi.co.jp/
Representative: Yasuaki Yamanishi, President and Representative Director
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated financial results for nine months ended November 30, 2024 (from March 1, 2024 to November 30, 2024)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2024	373,266	8.2	17,005	(22.1)	17,173	(23.1)	11,858	(18.4)
November 30, 2023	344,819	3.3	21,836	(1.6)	22,325	(0.8)	14,525	(4.8)

(Note) Comprehensive income: Nine months ended November 30, 2024: 11,297 million yen (-26.3%)
Nine months ended November 30, 2023: 15,329 million yen (0.6%)

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2024	165.76	–
November 30, 2023	203.13	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
November 30, 2024	586,126	299,178	48.7
February 29, 2024	489,509	294,233	57.3

(For reference) Equity: As of November 30, 2024: 285,429 million yen As of February 29, 2024: 280,554 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2024	–	44.00	–	45.00	89.00
Year ending February 28, 2025	–	45.00			
Year ending February 28, 2025 (Forecast)			–	45.00	90.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast of consolidated financial results for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	527,300	11.9	26,500	(15.7)	26,300	(18.6)	14,400	(29.7)	201.35

(Note) Revisions to business forecasts published most recently: No

Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: None

Changes in accounting policies due to other reasons: None

Changes in accounting estimates: None

Restatement of prior period financial statements: None

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2024	71,665,200 shares	As of February 29, 2024	71,665,200 shares

Number of treasury shares at the end of the period

As of November 30, 2024	111,047 shares	As of February 29, 2024	146,909 shares

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

Nine months ended November 30, 2024	71,539,824 shares	Nine months ended November 30, 2023	71,509,466 shares

Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing corporation: Yes (mandatory)

Explanation regarding appropriate use of business forecasts and other special instructions

The forward-looking statements such as the forecasts of financial results stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ materially, depending on a range of factors. See “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” in the section, “1. Qualitative Information on Quarterly Financial Results for the Period under Review,” on page 10 of the attached material for the assumptions used in the financial results forecast and precautions for using the financial results forecast.

○ Contents of the attached document

1. Qualitative Information on Quarterly Financial Results for the Period under Review

The forward-looking statements herein are based on the judgments of the Group as of the end of the third quarter under review.

(1) Explanation of Operating Results

In the first nine months of the fiscal year ending February 28, 2025, the Japanese economy achieved a moderate recovery, driven by an improvement in employment and income levels. However, consumers became more cost-conscious regarding daily necessities due to prolonged inflation stemming from the rising prices of raw materials and energy and the weaker yen. The business environment in the retail industry continued to be unclear due to challenges in recruitment and increasing costs.

In this environment, the Izumi Group, guided by its management philosophy of instilling pride and joy in its employees while contributing to the enhancement of the lives of communities and our customers, has set the long-term goal of creating livable communities and fostering the growth of the population. The Group has been implementing the strategies set out in the Second Medium-term Management Plan formulated in April 2021 (the strategies and target figures were updated in April 2023).

The growth strategy focuses on reducing the number of new store openings and investing in existing stores to revitalize them while expanding into new business areas through mergers, acquisitions and alliances. The Group aims to achieve both organic and inorganic growth to realize its long-term vision. To rapidly execute these initiatives, Izumi Co., Ltd. established the Investment Promotion Division reporting directly to the Executive Vice President in May. This division is responsible for overseeing mergers and acquisitions as well as developing new operations. Additionally, the Company hired external experts to enhance its organizational structure and support the implementation of the initiatives.

In May, the Company made Sunlife Co., Ltd. (Oita, Oita) a wholly owned subsidiary. Sunlife is a community-based food supermarket that has maintained a presence in a small trade area for a long time. Sunlife operates four stores primarily in Oita, an area not served by the existing store network. The Company believes that the acquisition of Sunlife will assist the Group in executing its area strategy such as entering a new market and expanding its market share.

In June, the Company and Maruyoshi Center Inc. (Takamatsu, Kagawa) began integrating their product procurement, logistics, and other systems in the Shikoku region under their capital and business alliance agreement. This integration allows the Company to streamline business processes and reduce costs in the Shikoku region. The Company aims to improve customer service by developing its logistics and delivery system, ensuring that goods are delivered promptly and accurately.

In August, consolidated subsidiary Youme Mart Kumamoto Co., Ltd. took over the supermarket business of by Seiyu Co., Ltd. (Musashino, Tokyo) in the Kyushu region through a company split (absorption-type company split). Youme Mart Kumamoto aims to establish dominance primarily in Fukuoka prefecture, achieve economies of scale in product procurement, promote sales, and streamline logistics. The Group will utilize the knowledge of efficient operations gained in the supermarket business that Youme Mart Kumamoto has taken over to establish a new profitable supermarket business. The goal of this initiative is to enhance the profitability of the entire Group.

The Company has been steadily implementing initiatives to achieve its environmental KPIs in its Basic Sustainability Policy. In May, the Company renamed its Customer Service Department to the Sustainability Planning Department to enhance its sustainability efforts. For more information about sustainability and the current status of the Company’s sustainability activities, please visit the sustainability webpage.

Sustainability website

https://www.izumi.co.jp/sustainability/

In June, the Company announced initiatives for implementing management practices that take into account the cost of capital and the stock price. This announcement includes the Company’s analysis of its current cost of capital and return on capital and its policy on improvement initiatives. For details, please refer to:

https://www.izumi.co.jp/corp/ir/pdf/2024/0704news.pdf

In its core retail business, system failures were caused by a ransomware attack that occurred on February 15. The ransomware attack impacted the ordering system, making it difficult to provide certain products. Some sales promotions and services were temporarily suspended, including the distribution of insert fliers from individual stores, the delivery of Youme App coupons, the e-commerce site Youme Online and the online supermarket Youme Delivery. The Company resolved these problems, the systems were restored and services returned to normal by May 1, with some exceptions. Subsequently, the Company took steps to increase the number of customers, which had declined following the ransomware attack. To prepare for rising electricity prices, the Company undertook a company-wide initiative aimed at reducing electricity usage to cut costs. At the same time, the Company actively invested in growth, specifically in the opening of new stores, renovations and mergers and acquisitions.

Following the ransomware attack, the entire Group is reviewing its business processes and developing systems to increase productivity under the theme, "creative restoration."

As a result, operating results for the first nine months of the fiscal year under review were as shown below.

	Nine months ended November 30, 2023	Nine months ended November 30, 2024	Change	Change (%)
Operating revenue	344,819 million yen	373,266 million yen	28,446 million yen	8.2%
[Net sales]	[303,500 million yen]	[331,175 million yen]	[27,675 million yen]	[9.1%]
[Operating income]	[41,319 million yen]	[42,090 million yen]	[771 million yen]	[1.9%]
Operating profit	21,836 million yen	17,005 million yen	(4,831 million yen)	(22.1%)
Ordinary profit	22,325 million yen	17,173 million yen	(5,152 million yen)	(23.1%)
Profit attributable to owners of parent	14,525 million yen	11,858 million yen	(2,667 million yen)	(18.4%)

Key factors contributing to operating results

(i) Operating revenue and operating gross profit

Operating revenue rose 28,446 million yen (8.2%) year on year to 373,266 million yen. This is primarily due to consolidated subsidiary Youme Mart Kumamoto taking over the supermarket business of Seiyu Co., Ltd. in the Kyushu region.

Operating gross profit was 148,751 million yen (up 5,215 million yen year on year). This is 39.9% of operating revenue, a decrease of 1.7 percentage points from one year ago.

(ii) Selling, general and administrative expenses and operating profit

Selling, general and administrative expenses increased 10,047 million yen (8.3%) year on year to 131,746 million yen. This increase was primarily due to increased personnel expenses and expenses related to the acquisition of the supermarket business. Selling, general and administrative expenses are 35.3% of operating revenue, remaining flat from the previous year.

Consequently, operating profit declined 4,831 million yen (22.1%) to 17,005 million yen. This is 4.6% of operating revenue, a 1.7 percentage point decrease from the previous year.

(iii) Non-operating income and expenses and ordinary profit

Non-operating income declined by 64 million yen (6.7%) year on year, to 895 million yen. Non-operating expenses climbed 256 million yen (54.4%) to 727 million yen, primarily due to increased interest expenses and fees connected to a syndicated loan arrangement.

As a result, ordinary profit decreased 5,152 million yen (23.1%) year on year, to 17,173 million yen. This is 4.6% of operating revenue, a 1.9 percentage point decline from one year ago.

(iv) Extraordinary income and loss, income taxes, profit attributable to non-controlling interests, and profit attributable to owners of parent

Extraordinary income stood at 2,860 million yen (an increase of 2,355 million yen from the previous year), reflecting gain on sale of investment securities of 2,343 million yen due to the sale of cross-shareholdings. Extraordinary losses came to 449 million yen (a decrease of 631 million yen from the previous year), reflecting provision for loss on building demolition of 150 million yen and impairment losses of 146 million yen.

Income taxes amounted to 6,845 million yen (a decrease of 221 million yen from a year ago).

Profit attributable to non-controlling interests was 880 million yen (an increase of 723 million yen from a year ago), chiefly due to gain on sale of investment securities recorded by consolidated subsidiaries.

As a consequence, profit attributable to owners of parent declined 2,667 million yen (18.4%) year on year to 11,858 million yen. This is 3.2% of operating revenue, a decrease of 1.0 percentage point from the previous year.

Performance by Segment

■ Operating revenue

	Nine months ended November 30, 2023	Nine months ended November 30, 2024	Change	Change (%)
Retail operations	332,304 million yen	360,150 million yen	27,845 million yen	8.4%
Retail-peripheral operations	32,759 million yen	34,732 million yen	1,972 million yen	6.0%
Other	4,268 million yen	3,882 million yen	(385 million yen)	(9.0%)
Adjusted amount	(24,513 million yen)	(25,499 million yen)	(986 million yen)	–
Total	344,819 million yen	373,266 million yen	28,446 million yen	8.2%

■ Operating profit

	Nine months ended November 30, 2023	Nine months ended November 30, 2024	Change	Change (%)
Retail operations	17,537 million yen	12,805 million yen	(4,731 million yen)	(27.0%)
Retail-peripheral operations	4,005 million yen	3,920 million yen	(85 million yen)	(2.1%)
Other area	555 million yen	475 million yen	(80 million yen)	(14.5%)
Adjusted amount	(262 million yen)	(196 million yen)	66 million yen	–
Total	21,836 million yen	17,005 million yen	(4,831million yen)	(22.1%)

(i) Retail operations

In the core retail business, system failures resulted from a ransomware attack that occurred on February 15. The ransomware attack affected the ordering system, resulting in difficulties in providing certain products. Some sales promotions and services were temporarily suspended, including the distribution of insert fliers from individual stores, the delivery of Youme App coupons, the e-commerce site Youme Online, and the online supermarket Youme Delivery. The Company addressed these failures, and the systems and most services were returned to normal by May 1, with a few exceptions. The Company then instituted measures to increase the number of customers, which had declined following the ransomware attack.

While working to restore the systems, the Company sought to ensure its ability to supply products to minimize the customer inconvenience caused by the impact the ordering system failure had on the product line. By May 1, the Company had arranged to consistently supply products. It then focused on responding to the increasing polarization of consumption.

The Company stepped up its collaboration with the Nichiryu Group (Fukushima-ku, Osaka), which it joined in February. In the lifestyle division, which the Company manages directly, it is introducing high-value-added, price-competitive products. The Company plans to increase the number of these products from the next fiscal year. In September, Youme Mart Kumamoto, a consolidated subsidiary, introduced Kurashi More, a private brand of the Nichiryu Group. Through these initiatives, the Group will improve its ability to meet the demand for low-priced products which is increasing due to prolonged inflation.

In April, Youme Mart Shin-Omura opened in Omura, Nagasaki. This store is located in Sakura Mirai Shin Omura, a complex that includes a Muji which provides offering household goods, a Starbucks Coffee café, and condominiums. It aims to provide “the pleasure of everyday visits” as a supportive space for everyday life and fostering connections within the local community. The Group is opening Youme Mall neighborhood shopping centers. In May, it opened Youme Mall Koshi (Koshi, Kumamoto). In September, it rebuilt Youme

Town Itsukaichi (Saeki-ku, Hiroshima) and opened Youme Mall Itsukaichi (Saeki-ku, Hiroshima). Youme Malls are retail facilities that includes Youme Mart, a supermarket, and specialty tenants, such as apparel shops and restaurants. The key phrase there is “a place where people visit, meet, and rest.” The Group aims to create malls that are hubs for local communities and environmentally friendly, convenient, and comfortable community-based malls designed to support healthy lifestyles.

The Group remodeled existing stores. In March, Sundrug became a tenant of Youme Town Hirajima (Okayama, Okayama). In April, Muji became a tenant of Youme Town Gakuen (Higashihiroshima, Hiroshima). The Group solicits reputable tenants for its medium-term general merchandise stores to enhance their ability to attract customers. The Group added value to its large general merchandise stores by strengthening the food and beauty and drug sections of Youme Town Takamatsu (Takamatsu, Kagawa) and Youme Town Hakata (Higashi-ku, Fukuoka) in October and November, respectively. The Group expanded the sales floors that it directly operates to better meet the needs of local customers. Additionally, it solicited new food tenants to enhance the food section as a whole. The Group consolidated its beauty and health floors into the beauty and drug section and created new sales floors and product lines to attract new customers.

Thanks to these initiatives and sales promotions, sales picked up starting in May, when the systems were restored, following the decline in sales due to the system failures caused by the ransomware attack in February.

In March and April, sales activities were limited due to failures in the ordering system, which led to problems with merchandise and the suspension of activities such as the distribution of insert fliers and the delivery of app coupons. This meant fewer customers in the food and lifestyle departments directly managed by the Group, resulting in a decrease in sales. In May, the systems were restored and sales activities normalized. As a result, the number of customers increased and sales increased. The impact of the system failures on tenants was limited, and restaurants and other services performed well.

In June, the Group launched its “All-out low prices” campaign, offering discounts of up to 30% on 60 daily necessities. The goal of this initiative was to attract more customers and address the growing demand for low-priced goods due to the prolonged inflation. At the same time, the Group responded to the polarization of consumption by promoting sales of Zehi, its own manufacturing brand, as well as high-value-added products, including Kore-uma products that were selected via an internal evaluation process. This initiative led to a rapid increase in the number of customers.

In Autumn, the growth of clothing sales in the directly managed lifestyle department was sluggish due to the persistent summer heat. In the directly managed food department, the Group took steps to address the polarization of consumption with a focus on low-priced products. As a result, the number of customers increased, and sales were strong. Like the directly managed lifestyle department, clothing tenants faced challenges. Meanwhile, tenants in the food and leisure categories, including restaurants and amusement facilities, had their sales increase significantly.

As a consequence, same-store sales (including specialty tenants’ sales) in the first nine months increased 0.4% year on year (before the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)). Same-store sales, excluding tenant sales, declined 1.6% year on year.

Costs were affected by a company-wide review of business processes and system development aimed at enhancing productivity under the theme “creative restoration” following the system failures. The Company has made active investments in growth, including store openings, renovations, and mergers and acquisitions while implementing a company-wide initiative aimed at reducing electricity usage to prepare for rising electricity prices.

As a result, operating revenue increased 8.4% year on year, to 360,150 million yen, and operating profit decreased 27.0% year on year, to 12,805 million yen.

(ii) Retail-peripheral operations

In retail-peripheral operations, the financial business and facility management business, in particular, were significantly affected by the system failures caused by the ransomware attack. However, revenue rose as the systems were restored.

At Youme Card Co., Ltd. in the financial business, the fees from Youme Card declined due to a drop in retail sales caused by the system failures. However, credit sales were strong at tenants in Youme Town facilities, and this contributed to an overall increase in revenue.

The cumulative number of Youme Cards issued increased to 10,570,000 at the end of the first nine months under review from 10,230,000 at the end of the previous fiscal year.

In the facility management business, revenue at Izumi Techno Co., Ltd. was affected by delays in the start of renovations at Group companies due to the system failures. However, revenue improved significantly in the third quarter and moved into positive territory. Operating profit declined due to the lingering effects of the system failures, but improved steadily.

Operating revenue at Izumi Food Service Co., Ltd., which operates restaurant businesses, rose compared with the previous year, when operating revenue exceeded the level in FY2019, before the COVID-19 pandemic, reflecting the progress in the normalization of social and economic activity. Sales for key brands, such as Mister Donut and BR 31 Ice Cream, continued to increase. Moreover, Osaka Ohsho and Okonomi Ichiban, the main restaurants operated directly by the Group, experienced a recovery in sales, which contributed to the overall growth in revenue.

As a result, operating revenue stood at 34,732 million yen (up 6.0% year on year) and operating profit was 3,920 million yen (down 2.1% year on year).

(iii) Other businesses

In the wholesale business, net sales were weak, and the cost of sales increased chiefly due to the weak yen. Rental income in the real estate lease business was stable.

As a result, operating revenue amounted to 3,882 million yen (down 9.0% year on year) and operating profit was 475 million yen (down 14.5% year on year).

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

Total assets, liabilities, and net assets at the end of the first nine months of the fiscal year ending February 28, 2025 are as stated below.

	As of February 29, 2024	As of November 30, 2024	Change
Total assets	489,509 million yen	586,126 million yen	96,616 million yen
Liabilities	195,276 million yen	286,947 million yen	91,671 million yen
Net assets	294,233 million yen	299,178 million yen	4,944 million yen

<u>Total assets</u>

- Goodwill increased 55,733 million yen primarily due to the acquisition of the supermarket business previously operated by Seiyu Co., Ltd. in the Kyushu region (hereinafter the “Acquired Business”). As allocation of the acquisition costs has not been completed, the amounts of goodwill are provisional estimates.
- Capital expenditures during the first nine months reached 10,418 million yen, chiefly due to investments in new store openings, the revitalization of existing stores, and digital transformation. Property, plant and equipment increased 17,640 million yen after depreciation, principally due to the acquisition of the Acquired Business.
- Notes and accounts receivable - trade, and contract assets rose 11,443 million yen, mainly due to an increase in the credit transaction volume.

<u>Liabilities</u>

- Short-term and long-term borrowings increased 48,211 million yen, primarily to financing for the acquisition.
- Notes and accounts payable - trade rose 26,691 million yen, reflecting a delay in settlement. The last day of the fiscal year was a bank holiday, resulting in the postponement of settlement to the beginning of the following month.
- Other current liabilities increased 10,154 million yen, chiefly due to increases in accrued consumption taxes and sales deposits received from specialty tenants.

Net assets

- Retained earnings rose 5,385 million yen, indicating an increase in internal reserves.
- As a result, the equity ratio was 48.7%, an 8.6 percentage point decline from 57.3% at the end of the previous fiscal year.

(ii) Analysis of cash flow

The cash flow situation in the first nine months of the fiscal year under review are as follows:

	Nine months ended November 30, 2023	Nine months ended November 30, 2024	Change
Cash flows from operating activities	23,448 million yen	48,650 million yen	25,201 million yen
Cash flows from investing activities	(15,915 million yen)	(86,631 million yen)	(70,715 million yen)
Cash flows from financing activities	(8,454 million yen)	41,577 million yen	50,032 million yen

Cash flows from operating activities

- The main cash inflows were profit before income taxes of 19,583 million yen, an increase in trade payables of 26,340 million yen, depreciation of 13,149 million yen, and an increase in cash flows of 12,602 million yen from other operating activities, including an increase in accrued consumption taxes.
- The major cash outflows were an increase in accounts receivable - trade, and contract assets of 11,386 million yen and income taxes paid of 10,162 million yen.

Cash flows from investing activities

- The primary cash outflows were 77,676 million yen related to an absorption-type company split which led to the acquisition of the Acquired Business, and purchase of property, plant and equipment totaling 12,679 million yen. The purchase of property, plant and equipment mainly involved investments in new store openings, the revitalization of existing stores, and digital transformation.

Cash flows from financing activities

- The main cash inflows were proceeds from long-term borrowings of 78,500 million yen. This cash inflow was due to a syndicated loan arrangement.
- The major cash outflows were repayments of short-term borrowings of 18,700 million yen, repayments of long-term borrowings of 11,588 million yen, and dividends paid of 6,438 million yen.

As a result, the balance of cash and cash equivalents increased 3,596 million yen from the end of the previous fiscal year, to 15,594 million yen.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There has been no revision to the consolidated forecasts for the fiscal year ending February 28, 2025, which were released on August 28, 2024.

(4) Important Contracts, Etc. Related to Management

(i) Absorption-type split agreement

The Company and consolidated subsidiary Youme Mart Kumamoto Co., Ltd. resolved at their respective Board of Directors meetings held on April 3, 2024 that Youme Mart Kumamoto would acquire the supermarket business operated by Seiyu Co., Ltd. in the Kyushu region (hereinafter the "Acquired Business") through an absorption-type company split (hereinafter the "Absorption-type Company Split"). On the same date, Youme Mart Kumamoto entered into an Absorption-type Company Split agreement with Seiyu.

On June 17, 2024, Youme Mart Kumamoto resolved at a Board of Directors meeting to enter into an agreement to amend the Absorption-type Company Split agreement with Seiyu in order to modify the rights and obligations that Youme Mart Kumamoto would take over. On the same date, Youme Mart Kumamoto entered into an agreement to amend the Absorption-type Company Split agreement with Seiyu.

The basis for calculation of contents of the allotment pertaining to the Absorption-type Company Split

The acquisition price was determined after discussion between both parties. They considered the rights and obligations to be transferred, the current condition of the business being acquired, its future prospects, and the anticipated synergy between the business and the Izumi Group. The Company considers the price to be appropriate.

(ii) Syndicated loan agreement

The Company resolved at a Board of Directors meeting on July 9, 2024, to enter into an agreement to secure a syndicated loan of 78.5 billion yen. The goal of this loan is to raise the funds necessary for the acquisition set out in the abovementioned Absorption-type Company Split agreement. The loan agreement was concluded on August 30, 2024, and the Company received the funds on September 6, 2024.

Outline of the syndicated loan

(1)	Type	Term loan agreement
(2)	Contract amount	78.5 billion yen
(3)	Date of execution	September 6, 2024
(4)	Repayment date	September 6, 2034
(5)	Interest rate	Base rate + spread
(6)	Use of funds	Stock acquisition (bridge loan refinancing)
(7)	Collateral	Unsecured
(8)	Arranger	Hiroshima Bank, Ltd., Development Bank of Japan Inc., Sumitomo Mitsui Banking Corporation
(9)	Participating financial institutions	Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, The Yamaguchi Bank, Ltd., THE NISHI-NIPPON CITY BANK, LTD., Momiji Bank, Ltd., The Bank of Fukuoka, Ltd., CHUGOKU bank Ltd., The Higo Bank, Ltd., The Kumamoto Bank, Ltd.
(10)	Financial covenants	(i) From the fiscal year ending February 28, 2025, the Company must ensure that its net assets on both its consolidated and non-consolidated balance sheet at the end of each fiscal year are maintained at 75% or more of the net assets on the consolidated and non-consolidated balance sheet at the end of either the preceding fiscal year or the fiscal year ended February 29, 2024, whichever is larger. (ii) From the fiscal year ending February 28, 2025, the Company must not allow its ordinary profit in the statement of income to be negative for two consecutive fiscal years.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	11,997	15,594
Notes and accounts receivable - trade, and contract assets	52,002	63,445
Merchandise and finished goods	25,496	32,252
Work in process	101	163
Raw materials and supplies	663	755
Other	14,422	17,088
Allowance for doubtful accounts	(531)	(554)
Total current assets	104,153	128,745
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	152,953	156,508
Land	167,901	180,654
Other, net	13,589	14,922
Total property, plant and equipment	334,444	352,085
Intangible assets		
Goodwill	843	56,576
Other	10,096	9,442
Total intangible assets	10,939	66,019
Investments and other assets		
Other	40,540	39,843
Allowance for doubtful accounts	(568)	(568)
Total investments and other assets	39,972	39,275
Total non-current assets	385,356	457,380
Total assets	489,509	586,126

(Millions of yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,140	50,832
Short-term borrowings	26,700	8,000
Current portion of long-term borrowings	15,573	20,994
Accounts payable - other	13,109	16,615
Income taxes payable	5,540	2,095
Provision for bonuses	2,325	4,803
Provision for bonuses for directors (and other officers)	57	11
Contract liabilities	7,190	9,474
Provision for loss on building demolition	213	51
Provision for loss on rental agreements	32	32
Provision for expenses for handling system failures	1,001	–
Other	20,188	30,343
Total current liabilities	116,074	143,255
Non-current liabilities		
Long-term borrowings	35,444	96,933
Long-term leasehold and guarantee deposits received	21,850	22,160
Provision for retirement benefits for directors (and other officers)	81	51
Provision for loss on interest repayment	255	258
Provision for loss on lease contracts	358	334
Provision for loss on building demolition	209	209
Retirement benefit liability	9,267	10,226
Asset retirement obligations	9,641	12,075
Other	2,093	1,442
Total non-current liabilities	79,202	143,692
Total liabilities	195,276	286,947
Net assets		
Shareholders’ equity		
Share capital	19,613	19,613
Capital surplus	22,753	22,753
Retained earnings	235,852	241,238
Treasury shares	(625)	(472)
Total shareholders’ equity	277,594	283,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,380	1,815
Remeasurements of defined benefit plans	579	479
Total accumulated other comprehensive income	2,960	2,295
Non-controlling interests	13,678	13,748
Total net assets	294,233	299,178
Total liabilities and net assets	489,509	586,126

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(First nine months)

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Operating revenue	344,819	373,266
Net sales	303,500	331,175
Cost of sales	201,284	224,515
Gross profit	102,216	106,660
Operating revenue	41,319	42,090
Operating gross profit	143,535	148,751
Selling, general and administrative expenses	121,698	131,746
Operating profit	21,836	17,005
Non-operating income		
Interest and dividend income	146	112
Purchase discounts	172	138
Share of profit of entities accounted for using equity method	54	–
Other	586	644
Total non-operating income	960	895
Non-operating expenses		
Interest expenses	243	388
Commission for syndicated loans	–	161
Share of loss of entities accounted for using equity method	–	33
Other	227	144
Total non-operating expenses	471	727
Ordinary profit	22,325	17,173
Extraordinary income		
Gain on sale of non-current assets	332	0
Gain on sale of investment securities	15	2,343
Subsidy income	156	–
Income insurance	–	516
Total extraordinary income	504	2,860
Extraordinary losses		
Loss on retirement of non-current assets	92	60
Impairment losses	356	146
Loss on store closings	198	72
Provision for loss on building demolition	422	150
Other	10	20
Total extraordinary losses	1,081	449
Profit before income taxes	21,748	19,583
Income taxes – current	7,559	6,883
Income taxes-deferred	(493)	(37)
Total income taxes	7,066	6,845
Profit	14,681	12,738
Profit attributable to non-controlling interests	156	880
Profit attributable to owners of parent	14,525	11,858

Quarterly Consolidated Statement of Comprehensive Income

(First nine months)

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Profit	14,681	12,738
Other comprehensive income		
Valuation difference on available-for-sale securities	737	(1,341)
Remeasurements of defined benefit plans, net of tax	(93)	(99)
Share of other comprehensive income of entities accounted for using equity method	3	0
Total other comprehensive income	647	(1,441)
Comprehensive income	15,329	11,297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,036	11,194
Comprehensive income attributable to non-controlling interests	292	103

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Cash flows from operating activities		
Profit before income taxes	21,748	19,583
Depreciation	12,267	13,149
Share-based payment expenses	43	78
Amortization of goodwill	399	1,377
Increase (decrease) in allowance for doubtful accounts	165	19
Interest and dividend income	(146)	(112)
Interest expenses	243	388
Commission for syndicated loans	–	161
Share of loss (profit) of entities accounted for using equity method	(54)	33
Subsidy income	(156)	–
Income insurance	–	(516)
Loss (gain) on sale of non-current assets	(331)	(0)
Loss on retirement of non-current assets	92	60
Loss (gain) on sale of investment securities	(15)	(2,343)
Impairment losses	356	146
Loss on store closings	198	72
Increase (decrease) in provision for loss on building demolition	422	(161)
Decrease (increase) in trade receivables and contract assets	(7,386)	(11,386)
Decrease (increase) in inventories	(5,041)	(4,418)
Increase (decrease) in trade payables	3,471	26,340
Increase (decrease) in deposits received	146	4,298
Other, net	7,986	12,602
Subtotal	34,408	59,373
Interest and dividend received	153	117
Interest paid	(269)	(234)
Subsidies received	156	–
Expenses paid to address system failures	–	(957)
Proceeds from insurance income	–	512
Income taxes refund (paid)	(11,000)	(10,162)
Net cash provided by (used in) operating activities	23,448	48,650
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,823)	(12,679)
Proceeds from sale of property, plant and equipment	803	13
Purchase of intangible assets	(1,033)	(649)
Proceeds from sale of investment securities	21	5,725
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,564)
Payments for absorption-type company split	–	(77,676)
Other, net	116	198
Net cash provided by (used in) investing activities	(15,915)	(86,631)

(Millions of yen)

	Nine months ended November 30, 2023	Nine months ended November 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,310	(18,700)
Proceeds from long-term borrowings	500	78,500
Repayments of long-term borrowings	(14,936)	(11,588)
Payments of commissions for syndicated loans	–	(161)
Purchase of treasury shares	(2)	(1)
Dividends paid	(6,292)	(6,438)
Dividends paid to non-controlling interests	(32)	(32)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(8,454)	41,577
Net increase (decrease) in cash and cash equivalents	(921)	3,596
Cash and cash equivalents at beginning of period	10,331	11,997
Cash and cash equivalents at end of period	9,409	15,594

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Note on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on segment information, etc.)

[Segment information]

I. Nine months ended November 30, 2023

Operating revenue and profit (loss) for each reportable segment and the breakdown of revenue

(Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjusted amount (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Retail operations	Retail-peripheral operations	Total				
Operating revenue							
Revenue from contracts with customers	317,196	8,546	325,743	2,690	328,433	–	328,433
Other revenue	14,257	2,073	16,331	54	16,386	–	16,386
Operating revenue from external customers	331,453	10,620	342,074	2,745	344,819	–	344,819
Inter-segment internal revenues or transfers	850	22,138	22,989	1,523	24,513	(24,513)	–
Total	332,304	32,759	365,064	4,268	369,333	(24,513)	344,819
Segment profit	17,537	4,005	21,542	555	22,098	(262)	21,836

(Note 1) The Other category includes the clothing wholesale business.
(Note 2) The segment profit adjustment, -262 million yen, includes an adjustment related to intersegment unrealized gains.
(Note 3) Segment profit is reconciled with operating profit in the quarterly consolidated statement of income.

II. Nine months ended November 30, 2024

1. Operating revenue and profit (loss) for each reportable segment and the breakdown of revenue

(Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjusted amount (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Retail operations	Retail-peripheral operations	Total				
Operating revenue							
Revenue from contracts with customers	344,905	9,425	354,330	2,383	356,713	–	356,713
Other revenue	14,366	2,132	16,498	54	16,552	–	16,552
Operating revenue from external customers	359,271	11,557	370,828	2,437	373,266	–	373,266
Inter-segment internal revenues or transfers	878	23,175	24,054	1,445	25,499	(25,499)	–
Total	360,150	34,732	394,883	3,882	398,765	(25,499)	373,266
Segment profit	12,805	3,920	16,726	475	17,201	(196)	17,005

(Note 1) The Other category includes the clothing wholesale business.
(Note 2) The segment profit adjustment, -196 million yen, includes an adjustment related to intersegment unrealized gains.
(Note 3) Segment profit is reconciled with operating profit in the quarterly consolidated statement of income.

2. Information on assets by reportable segment

(A significant increase in assets due to business acquisition)

In the retail business segment, Youme Mart Kumamoto Co., Ltd. acquired the supermarket business operated by Seiyu Co., Ltd. in the Kyushu region through an absorption-type company split. Due to the acquisition, assets in the retail business segment increased 87,683 million yen from the end of the previous fiscal year.

3. Information on impairment losses on non-current assets and goodwill by reportable segment

(Significant changes in amount of goodwill)

In the retail business segment, Youme Mart Kumamoto Co., Ltd. acquired the supermarket business operated by Seiyu Co., Ltd. in the Kyushu region through an absorption-type company split. Goodwill of 56,318 million yen posted due to this event during the nine months under review. At the end of the first nine months under review, identifiable assets and liabilities have not been determined and the calculation of market value had not been completed, thus the allocation of acquisition costs had not been finalized. As a result, the amount of goodwill reported is provisional.

Report on an Interim Review of Quarterly Consolidated Financial Statements by Independent Auditors

January 14, 2025

IZUMI CO., LTD
To the Board of Directors

KPMG AZSA LLC

Hiroshima Office

Designated Limited Liability Partner Managing Partner	Certified public accountant	Satoshi Yokozawa
Designated Limited Liability Partner Managing Partner	Certified public accountant	Yosuke Sato

Auditor's Conclusion

We have performed a quarterly review of the quarterly consolidated financial statements of IZUMI CO., LTD, namely the quarterly consolidated balance sheet, quarterly consolidated statement of income, quarterly consolidated statement of comprehensive income, quarterly consolidated statement of cash flows, and the primary notes for the third quarter (from September 1, 2024 to November 30, 2024) and the first nine months (from March 1, 2024 to November 30, 2024) of the consolidated fiscal year from March 1, 2024 to February 28, 2025 included in the attached material of the Quarterly Consolidated Financial Results.

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above are not prepared, in all material respects, in accordance with Article 4 (1) of Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan for quarterly financial statements, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for quarterly financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Interim Review of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the professional ethical regulations that are applicable in Japan, and we have fulfilled our other ethical responsibilities as an auditor. We believe that we have obtained evidence to provide a basis for our conclusion.

Responsibilities of the Management and Audit & Supervisory Board Members and the Audit & Supervisory Board Pertaining to Quarterly Consolidated Financial Statements

Management is responsible for the preparation and presentation of the quarterly consolidated financial statements in accordance with Article 4(1) of Standard for Preparation of Quarterly Financial Statements of Tokyo Stock Exchange, Inc. (applying the omissions prescribed in Article 4(2) of the Standard) and accounting principles generally accepted in Japan. The responsibility includes establishing and operating an internal control system that management considers necessary for creating quarterly consolidated financial statements that do not include any significant misstatements stemming from injustice or errors.

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by Article 4 (1) of Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan for quarterly financial statements, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards, matters related to going concern.

The responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board lie in monitoring the directors' performance of their duties in the development and operation of the financial reporting process.

Auditor's Responsibilities for the Interim Review of the Quarterly Consolidated Financial Statements

Our objective is to issue an auditor's interim review report that includes our conclusion for quarterly consolidated financial statements from an independent standpoint.

As part of our interim review in accordance with interim review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the interim review as below:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other interim review procedures. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- If we determine that a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, then we conclude, based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not prepared in accordance with Article 4 (1) of Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan for quarterly financial statements, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our interim review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified conclusion or adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our interim review report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements and notes are not prepared in accordance with Article 4 (1) of Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan for quarterly financial statements, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards.
- Obtain evidence regarding the financial information of the entities or business activities within the Company and its consolidated subsidiaries as a basis for expressing a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and review of the quarterly consolidated financial statements. We remain solely responsible for our conclusion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the interim review and significant review findings.

We report to Audit & Supervisory Board Members and the Audit & Supervisory Board in a statement that we have complied with the professional ethical regulations that are applicable in Japan regarding independence, matters that may reasonably be thought to affect our independence, and the content of safeguards, where measures were established to eliminate or effectively mitigate any impediment.

Conflicts of interest

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the KPMG AZSA LLC.

End

(Notes) 1. The original report on interim review is kept separately by the Company (the reporting company of the Summary of Quarterly Consolidated Financial Results).
2. The associated XBRL data and HTML data are not included in the scope of the interim review.