

Business Report 2010

March 1, 2009–February 28, 2010



Innovation, Excitement and Surprise

**you
me**

**you
me**

Izumi Co., Ltd.



"youme," evolving and expanding

Committed to being a vital part of the community, and the number one store in the region.

**A whole new community within a community,
built for freedom and fluidity of movement.**

To revolutionize people's lifestyles, making them more enjoyable and active—this is the aim of Izumi, a company that works to build both communities and dreams. We develop shopping malls, which are large-scale, multi-purpose commercial complexes that offer easy access to and work synergistically with pre-existing shopping districts, and act as a driving force behind regional revitalization. These shopping malls blend harmoniously with surrounding natural and urban environments and community facilities, and feature an array of restaurants, amusements, cultural and community offerings and other facilities. They are entire new communities built for user-friendliness, comfort and a feeling of liberation, where people can enjoy shopping and leisure and make their dreams come true. We work to build commercial facilities and human environments that fit in closely with communities, meet the local needs, and make community residents glad that they chose to live there.

Creating a Community Full of Fun

We provide spaces for relaxation and enjoyment. There's something to make everyone's life a little richer, no matter what their age may be.

More than just collections of stores, our facilities provide experiences that add something extra to the value of the stores themselves.

Supplying as much satisfaction, security and enjoyment as possible to people of all ages. This is the idea behind Izumi's "One-Stop Service." This idea is given shape in facilities that act as a new kind of town square, providing everything from fashion to furniture, interior goods, sporting goods, pet supplies, and a restaurant zone offering a wide variety of tempting fare. Not only in the quality of the products and services, but also in terms of sheer scale, Izumi's selection of specialty shops is one of the best nationwide, offering customers a higher standard of living and a more colorful lifestyle.



Satisfying your appetite for amusement

You Me Town boasts music stores with a stunning selection of CDs and DVDs, as well as video arcades, kids' areas, and much more to appeal to the playful spirit in all of us. Our goal is to provide places and opportunities for dreams to come true.

New ways for the whole family to have fun

Cinema complexes with cutting-edge sound systems, gourmet restaurants and cafes that are sure to satisfy, and center courts where you can relax and feel at ease. You Me Town shopping malls offer customers of any age new ways to enjoy their free time.

Communities full of comfort and convenience

Everything customers want, all under one roof. The happiness and satisfaction we bring customers makes them want to come back time and again.

We provide the ease and user-friendliness that only multi-purpose complexes can offer.

The latest merchandise and new ways to spend leisure time are all here under one roof. The convenience of getting everything done in one trip, without needing to change locations, frees up people's time and makes their lives easier. We at Izumi never stop thinking of ways to provide You Me Town shoppers with greater convenience and satisfaction. With this goal in mind, we continue listening to people's suggestions even after our facilities have been established, and act on this feedback to improve customer service and boost customer satisfaction.



Always trying to make customers' dreams come true

We offer a whole range of hobbies, culture and education to satisfy our customers' intellectual curiosity. For example, You Me Town shopping malls offer attractions such as large bookstores, "culture schools" providing lessons in skills like personal computing, photography studios, and more.

Everything from public facilities and financial services to health care

A You Me Town shopping mall features everything that is necessary for daily life, including financial services (in-store branches and ATMs) and medical facilities (clinics and full-service pharmacies). In addition, You Me Town shopping malls are designed to offer easy access to public services and facilities such as aquariums, playing the role community centers providing total support to those living in the region.

The Izumi Group is steadily making preparations for the next phase of our growth strategy.

It is with great pleasure that I extend my warmest greetings to our stockholders and investors.

In the fiscal year under review, the Japanese economy showed signs of hope related to exports, but consumer confidence remained low, and profit structures were buffeted by severe conditions exacerbated by unstable weather conditions and increasingly fierce price wars.

The Izumi Group is responding to the situation by closely tracking consumer behavior patterns and market trends, and continuing to face new challenges and pursue new innovations aimed at future growth.

In the apparel segment of our retail business, we implemented a thorough overhaul including introduction of high-performance items with price impact, enhanced appeal to customers through lower prices, and a new approach to customers of child-rearing age (our new You Me Kids shop), aiming to stimulate demand and develop a new customer base.

In the home goods category, we reconstructed sales floors for daily necessities, stationery items, gifts and kitchen products, and also worked to strengthen high-growth areas such as environmental and health-conscious products.

In the grocery section, we strove to offer unbeatable low prices, and updated the product lineup on a weekly basis to provide variety and excitement. In addition, we renewed our emphasis on freshness with a focus on locally produced foods and regional specialties shipped directly from the source.

In the store space rental segment of our business, we introduced tenants with competitive power in the marketplace, cooperated in joint sales promotion campaigns with our directly managed stores, engaged in the training of employees of tenant businesses, and otherwise worked to maximize the sales potential of tenants.

In terms of new store openings, 2009 saw the opening of two major new malls: the November opening of You Me Town Miyuki in Hiroshima, and the December opening of You Me Town City in Shimonoseki, Yamaguchi Prefecture. Both malls are tailored to the specific needs of their regions, offering one-stop shopping for all generations, and have been rewarded with a steady flow of satisfied customers.

To address smaller commercial regions that cannot be covered by the large You Me Town mall format, we have launched a new supercenter business category. It saw its start with the April 2010 renovation of You Me Town Tosu, and continues with Supercenter Izumi Ukiha in southeastern Fukuoka Prefecture, scheduled to open in late 2010. This new type of store is more compact in scale and has a smaller number of products and tenants, enabling us to maintain a community-based approach and achieve efficient business performance in smaller commercial districts.

These initiatives illustrate the Izumi Group's unflinching commitment to the product, sales and store-oriented innovations and new perspectives essential for the next phase of growth.

We intend to continue adopting a community-based approach and maintaining customer satisfaction while steadily, prudently and unceasingly expanding our business. I sincerely thank all of our stockholders for their continued feedback and support.



Yasuaki Yamanishi
President



The History of Izumi Co., Ltd.

| | |
|------|---|
| 1946 | Yoshimasa Yamanishi (the current chairperson) opens a stall outside the Hiroshima train station. |
| 1950 | Apparel wholesaler Yamanishi Shoten Co., Ltd., is established. |
| 1961 | Izumi Co., Ltd., is established and the first Izumi supermarket is opened. |
| 1967 | Second store is opened next to the Hiroshima train station. |
| 1968 | Hiring of large numbers of new college graduates begins. |
| 1969 | Okayama store is opened. |
| 1970 | Kure store is opened. |
| 1972 | Sun Mall outlet is opened. |
| 1973 | Gion store, the first suburban store is opened. |
| 1974 | Nihon Ryutsu Sangyo Co., Ltd. (Nichiryu), a cooperative buying organization, is established. |
| 1977 | Izumi joins the Japan Chain Stores Association. |
| 1978 | Stock is listed on the Osaka Securities Exchange, second section, and the Hiroshima Securities Exchange. |
| 1980 | Izumi changes the Japanese spelling of its company name ("Izumi" changes from hiragana to katakana). |
| 1983 | Total Quality Control (TQC) is introduced, and efforts are made to vitalize the entire organization. |
| 1985 | Point of sale (POS) system is introduced, and progress is made on integration of company information. Fashion boutique building Wiz Wonderland is opened. |
| 1986 | Stock is listed on the Tokyo Stock Exchange, second section, and the Osaka Securities Exchange, first section. |
| 1987 | Stock is listed on the Tokyo Stock Exchange, first section. ai Card is introduced. |
| 1990 | The You Me Town shopping center format is launched. X-sell Inc. is established as part of the Company's import business. |
| 1991 | Yoshimasa Yamanishi (the current chairperson) is awarded the Japanese Medal of Honor with blue ribbon for excellence in public service. The Company is awarded the Chugoku Regional Quality Control Award. |
| 1993 | Yasuaki Yamanishi is appointed as president and representative director. Yoshimasa Yamanishi is appointed as chairperson and representative director. |
| 1994 | The Izumi women's handball team is launched. Izumi becomes an official sponsor of the 14th Asian Handball Championships in Hiroshima. |
| 1995 | Izumi begins pursuing a growth strategy based on opening shopping malls in Kyushu. The first to open is the You Me Town Onga mall in Fukuoka. |
| 1996 | Eight new shopping malls are opened, including the Kyushu flagship mall You Me Town Chikushino. Izumi Food Service Co., Ltd., is established. |
| 1997 | The Izumi Museum of Art is founded. Youme Card Co., Ltd., is established. |
| 1998 | You Me Town Takamatsu, one of the largest retail facilities in west Japan, is opened. |
| 1999 | The Company receives two awards, the Hiroshima Josei Shonen Shitsu-cho Award for businesses that promote equal opportunities for men and women, and the Ministry of Health, Labour and Welfare Award for businesses that provide employment opportunities for the disabled. The Izumi women's handball team becomes a "triple crown" winner for the first time in its history. |
| 2000 | Yumesaito, You Me Town Hakata, and You Me Town Yame malls are opened. |
| 2001 | You Me Town Omuta is opened. The Izumi women's handball team becomes the Hiroshima Maple Reds, representing the entire prefecture of Hiroshima. |
| 2002 | You Me Town Gakuen is opened. Four large-scale stores are acquired from now-defunct retailer Nikonikodo Co., Ltd. |
| 2003 | City Park Hamada and You Me Town Kurume are opened. |
| 2004 | You Me Town Hikari no Mori is opened. The Company receives an Award for Excellence from the Ministry of Health, Labour and Welfare for its promotion of active roles for women in the workplace. You Me Town Kure is opened. City Park Kure (formerly Izumi Kure) is opened. |
| 2005 | You Me Town Yatsushiro is opened. |
| 2006 | You Me Town Saga is opened. The Company is awarded the Hiroshima Labour Bureau Chief's Award for family-friendly businesses. |
| 2007 | You Me Town Beppu is opened. |
| 2008 | You Me Town Hiroshima is opened. You Me Town Izumo is opened. You Me Town Mitoyo is opened. You Me Town Marugame is opened. |

"youme," evolving and expanding

Committed to being a vital part of the community, and the number one store in the region.



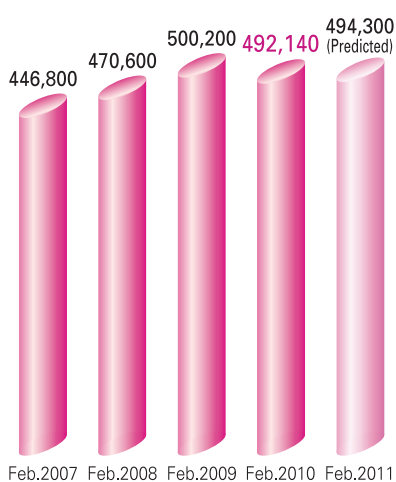
Consolidated Financial Highlights

Revenue

¥492,140 million

(Year-to-year comparison) **98.4%**

(Millions of yen)

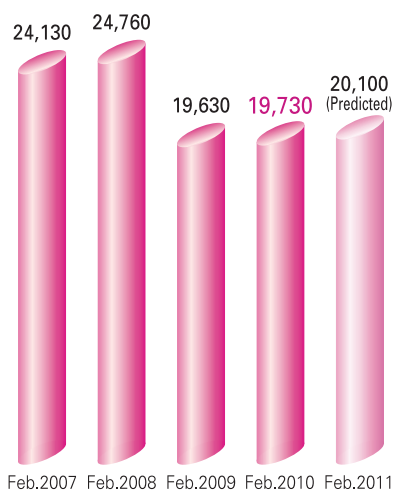


Operating income

¥19,730 million

(Year-to-year comparison) **100.5%**

(Millions of yen)

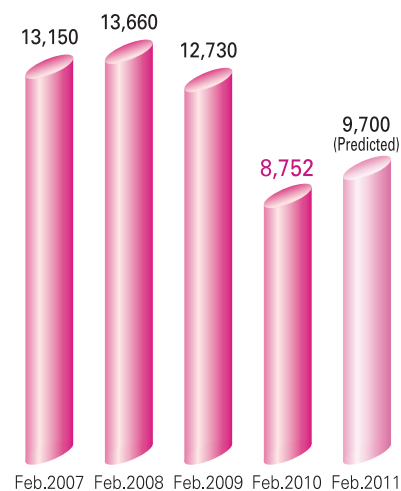


Net income for the period

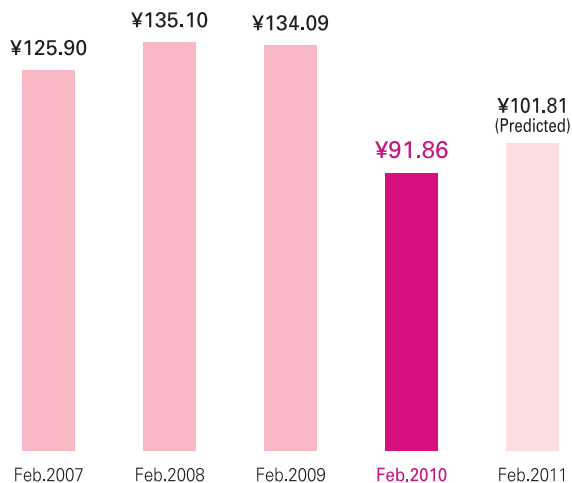
¥8,752 million

(Year-to-year comparison) **68.7%**

(Millions of yen)

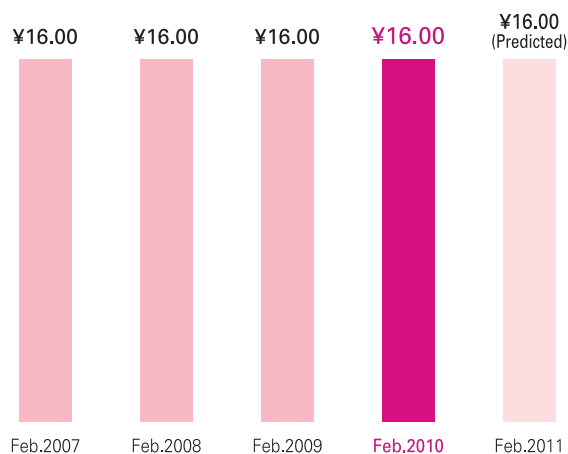


Net income per share for the period



Cash dividend per share

Cash dividends are set at ¥8 per share (for an annual dividend of ¥16 including the midterm dividend). In the future, we intend to maintain a strong business structure to ensure stable and substantial returns to our shareholders.



This graph reflects the stock split put into effect on March 1, 2007, with the figures shown having been retroactively adjusted.

New You Me Town shopping malls are opening all over, each one reflecting the unique character of its region!

In accordance with our mid-range business outlook and strategy, Izumi Co., Ltd., is steadily moving forward with new store openings. Two major new malls were opened in 2009: November saw opening of You Me Town Miyuki in a rapidly growing part of Hiroshima City, and December saw the opening of You Me Town City in Shimonoseki, Yamaguchi Prefecture as part of a larger local development plan. In addition, we are preparing for the opening later this year of stores in our new supermarket category, the Ukiha store, and new additions to You Me Town Izumo. We will continue planning and building together with people and communities, and making every effort to meet the needs of people and communities.

You Me Town Miyuki

The key words are “unbeatable savings!”

Newly opened on
November 6, 2009

Overview of facility (approximate figures)

Site area: 22,000 m² / Total floor area: 50,000 m² /
Retail floor area: 17,250 m² / Parking capacity: 1,000 vehicles

Casual, fun and affordable shopping keeps customers coming back again and again!

You Me Town Miyuki was developed with the theme of “unbeatable savings, unbeatable fun.” With a customer base consisting of young families as well as single shoppers and senior citizens, this You Me Town is characterized by casual and affordable shopping.

Prices are kept to a minimum and value to a maximum. The lineup of daily necessities and other items has been thoroughly revised for quality, value and variety, and a new You Me Kids zone appeals to the mall’s primary target customers, families with young children. You Me Kids has an extensive selection of products for expecting parents, newborns, weaning-stage infants, preschoolers and elementary school children, all at unbeatable low prices.



Natural materials and earth colors give the mall interior a warm and friendly feeling



You Me Kids is a big hit among families with children!



In the grocery section, price is not all that matters—freshness and appropriate portion sizes are priorities as well



You Me City

An exciting addition to the urban center of Shimonoseki City!

Newly opened on December 3, 2009



The white-and-beige color scheme of the exterior creates a lively, clean impression

Overview of facility (approximate figures) Site area: 61,000 m² / Total floor area: 88,700 m² / Retail floor area: 30,500 m² / Parking capacity: 2,200 vehicles

You Me City was named by the residents of the community, and is rapidly growing into a new urban center where the dreams of residents come to life!

You Me City is located near the historic center of the city of Shimonoseki, in the midst of a rapidly developing area. The surrounding area is packed with roadside restaurants and specialty shops attracting large numbers of customers, and with its large-scale, distinctive exterior, the new You Me City has made a tremendous impact and attracted large numbers of customers since its opening.

You Me City owes its popularity in part to the way it was developed in collaboration with the community. Since the early planning stages, You Me City was positioned as a central facility in a Shimonoseki urban development project, and we are proud of the mall's key role in the future vision for the area. The name You Me City itself was chosen by members of the community through a public competition.

In accordance with the Shimonoseki vision of "a new city with eyes on the future," You Me City is helping to promote the economic vitalization of the entire region.



It's a blast to browse through the specialty shop section, with 140 retailers, 62 of which are making their first appearance in Yamaguchi Prefecture



"Unbeatable savings," "unbeatable freshness" and "unbeatable in Yamaguchi"—these are the three slogans of the grocery section

You Me Town Izumo

More convenient than ever with a newly added tenant-occupied building!

Scheduled to reopen
after expansion
in summer 2010



Overview of facility (approximate figures)

Site area: 3,500 m² / Total floor area: 4,800 m² /
Retail floor area: 2,100 m² / Parking capacity: 90 vehicles

Super Sports Xebio will open its first outlet in the San'in region!

Since it first opened in June 2008, You Me Town Izumo has enjoyed great popularity among citizens of the region, and will now offer more shopping choices than ever after being expanded with an entire new building.

Super Sports Xebio will meet the needs of community residents, who specified a large-scale sporting goods store as the most urgent of their shopping needs. Super Sports Xebio will help all to lead a healthy lifestyle, from students to families to senior citizens.

Supercenter Izumi Ukiha (tentative name)

Everything you need for daily life can be found on a single floor!

Scheduled for opening
autumn 2010

Izumi presents a new business category, with the same emphasis on "unbeatable savings" and "unbeatable fun"!



Overview of facility (approximate figures)

Site area: 27,000 m² / Total floor area: 9,900 m² /
Retail floor area: 7,300 m² / Parking capacity: 480 vehicles

The Company's new store category is focused on "unbeatable savings" and "unbeatable fun." While the You Me Town mall format has been successful in dominating large regions, there are gaps, which can be effectively filled by the smaller supercenter format. The first of these is Supercenter Izumi Ukiha in Ukiha City, in Fukuoka Prefecture.

The new format is geared toward frequent, even daily shopping, offering everything necessary for day-to-day life on a single floor. Maintaining the focus on "unbeatable savings" and "unbeatable fun," Izumi intends to move forward with opening convenient, affordable supercenter stores.

A discount grocery store that combines “unbeatable savings” with uncompromising quality!

While the trend of thrift and focus on affordability continues, customers have recently placed increasing emphasis on quality and brand value.

Izumi and You Me Town have been quick to focus on these consumer trends and address them by developing a “high-sensitivity, low-price business model.” Not only low prices, but also freshness and quality are emphasized, and the Izumi “discount grocery store” is not only affordable, but also a cheerful and comfortable shopping environment.

The first discount grocery store is found in the new You Me Town Miyuki mall, and the plan for this business year is to select four or five more appropriate locations and transform their grocery sections to fit the new business model.



CONSOLIDATED BALANCE SHEETS

Millions of yen

Thousands of
U.S.dollars

| Izumi Co., Ltd. and its subsidiaries As of Feb 28, 2009 and Feb 28, 2010 | 2009 | 2010 | 2010 |
|---|----------------|----------------|------------------|
| (Assets) | | | |
| Current assets | | | |
| Cash and deposits | ¥ 9,751 | ¥ 15,490 | \$ 173,219 |
| Notes and accounts receivable-trade | 15,365 | 17,531 | 196,041 |
| Inventories | 25,425 | — | — |
| Merchandise and finished goods | — | 23,181 | 259,218 |
| Work in process | — | 69 | 774 |
| Raw materials and supplies | — | 288 | 3,221 |
| Deferred tax assets | 2,045 | 2,208 | 24,691 |
| Other | 18,335 | 16,871 | 188,658 |
| Allowance for doubtful accounts | (983) | (930) | (10,408) |
| Total current assets | 69,940 | 74,711 | 835,416 |
| Noncurrent assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 260,612 | 273,071 | 3,053,470 |
| Accumulated depreciation | (120,023) | (129,833) | (1,451,794) |
| Buildings and structures, net | 140,589 | 143,237 | 1,601,676 |
| Machinery, equipment and vehicles | 5,635 | 5,713 | 63,892 |
| Accumulated depreciation | (3,968) | (4,035) | (45,127) |
| Machinery, equipment and vehicles, net | 1,666 | 1,678 | 18,765 |
| Land | 119,659 | 119,265 | 1,333,613 |
| Lease assets | — | 556 | 6,218 |
| Accumulated depreciation | — | (28) | (316) |
| Lease assets, net | — | 527 | 5,902 |
| Construction in progress | 828 | 617 | 6,901 |
| Other | 30,030 | 29,644 | 331,483 |
| Accumulated depreciation | (21,034) | (21,529) | (240,738) |
| Other, net | 8,996 | 8,115 | 90,744 |
| Total property, plant and equipment | 271,740 | 273,441 | 3,057,602 |
| Intangible assets | 8,125 | 7,654 | 85,590 |
| Investments and other assets | | | |
| Investment securities | 6,229 | 5,376 | 60,115 |
| Long-term loans receivable | 1,956 | 2,359 | 26,383 |
| Deferred tax assets | 5,933 | 4,116 | 46,034 |
| Lease and guarantee deposits | 18,322 | 18,351 | 205,201 |
| Other | 4,139 | 3,089 | 34,543 |
| Allowance for doubtful accounts | (1,228) | (822) | (9,201) |
| Total investments and other assets | 35,352 | 32,470 | 363,079 |
| Total noncurrent assets | 315,218 | 313,565 | 3,506,272 |
| Total assets | 385,159 | 388,277 | 4,341,689 |

| | Millions of yen | | Thousands of U.S.dollars |
|---|-----------------|----------------|--------------------------|
| | 2009 | 2010 | 2010 |
| (Liabilities) | | | |
| Current liabilities | | | |
| Notes and accounts payable-trade | ¥ 29,778 | ¥ 30,328 | \$ 339,131 |
| Short-term loans payable | 22,543 | 21,080 | 235,715 |
| Current portion of convertible bonds | 19,075 | — | — |
| Current portion of long-term loans payable | 12,012 | 20,724 | 231,744 |
| Accounts payable-other | 19,440 | 16,163 | 180,735 |
| Income taxes payable | 781 | 6,100 | 68,216 |
| Deferred tax liabilities | 22 | — | — |
| Provision for bonuses | 1,540 | 1,588 | 17,763 |
| Provision for directors' bonuses | 10 | 12 | 134 |
| Provision for point card certificates | 953 | 1,067 | 11,938 |
| Provision for loss on recollection of gift certificates | 56 | 53 | 593 |
| Provision for loss on demolition building | 518 | — | — |
| Other | 6,085 | 7,453 | 83,344 |
| Total current liabilities | 112,818 | 104,572 | 1,169,317 |
| Noncurrent liabilities | | | |
| Long-term loans payable | 119,024 | 124,253 | 1,389,395 |
| Lease obligations | — | 524 | 5,859 |
| Long-term lease and guarantee deposited | 25,794 | 25,390 | 283,911 |
| Provision for retirement benefits | 5,259 | 5,487 | 61,363 |
| Provision for directors' retirement benefits | 1,262 | 1,163 | 13,005 |
| Provision for loss on guarantees | 1,100 | — | — |
| Deferred tax liabilities | 997 | 994 | 11,121 |
| Provision for loss on interest repayment | 342 | 692 | 7,741 |
| Other | 1,892 | 1,454 | 16,261 |
| Total noncurrent liabilities | 155,673 | 159,959 | 1,788,660 |
| Total liabilities | 268,491 | 264,531 | 2,957,977 |
| (Net assets) | | | |
| Shareholders' equity | | | |
| Capital stock | 19,613 | 19,613 | 219,320 |
| Capital surplus | 22,377 | 22,419 | 250,697 |
| Retained earnings | 100,061 | 107,288 | 1,199,695 |
| Treasury stock | (32,708) | (32,705) | (365,715) |
| Total shareholders' equity | 109,343 | 116,616 | 1,303,998 |
| Valuation and translation adjustments | | | |
| Valuation difference on available-for-sale securities | 791 | 694 | 7,771 |
| Foreign currency translation adjustment | (126) | (251) | (2,814) |
| Total valuation and translation adjustments | 665 | 443 | 4,957 |
| Minority interests | 6,659 | 6,685 | 74,755 |
| Total net assets | 116,667 | 123,745 | 1,383,711 |
| Total liabilities and net assets | 385,159 | 388,277 | 4,341,689 |

Note: U.S.dollar amounts are translated from yen, for convenience only, at the rate of ¥89.43=U.S.\$1 as of February 28, 2010.

CONSOLIDATED STATEMENTS OF INCOME

Millions of yen

Thousands of
U.S.dollars

| Izumi Co., Ltd. and its subsidiaries For the years ended Feb 28, 2009 and Feb 28, 2010 | 2009 | 2010 | 2010 |
|---|-----------------|----------------|------------------|
| Net sales | ¥ 477,159 | ¥ 468,742 | \$ 5,241,440 |
| Cost of sales | 372,259 | 367,868 | 4,113,474 |
| Gross profit | 104,899 | 100,873 | — |
| Operating revenue | 23,134 | 23,398 | 261,643 |
| Operating gross profit | 128,034 | 124,272 | 1,389,608 |
| Selling, general and administrative expenses | | | |
| Advertising and promotion expenses | 7,037 | 7,962 | 89,035 |
| Distribution expenses | 5,790 | 5,387 | 60,239 |
| Provision of allowance for doubtful accounts | 784 | 373 | 376,523 |
| Employees' salaries and bonuses | 34,583 | 33,672 | 17,735 |
| Provision for bonuses | 1,652 | 1,586 | 6,636 |
| Welfare expenses | 6,097 | 5,651 | 63,195 |
| Retirement benefit expenses | 651 | 593 | 63,555 |
| Rent expenses | 9,922 | 9,539 | 106,666 |
| Utilities expenses | 6,897 | 5,683 | 4,172 |
| Depreciation | 13,780 | 14,785 | 165,332 |
| Provision for loss on interest repayment | — | 893 | 9,996 |
| Other | 20,423 | 17,733 | 198,292 |
| Total selling, general and administrative expenses | 107,621 | 103,862 | 1,161,382 |
| Operating income | 20,412 | 20,410 | 228,226 |
| Non-operating income | | | |
| Interest income | 157 | 175 | 1,965 |
| Dividends income | 146 | 76 | 858 |
| Purchase discounts | 539 | 437 | 4,890 |
| Gain on adjustment of account payable | 141 | 136 | 1,523 |
| Penalty income | 258 | 228 | 2,551 |
| Other | 845 | 1,179 | 13,187 |
| Total non-operating income | 2,088 | 2,233 | 24,977 |
| Non-operating expenses | | | |
| Interest expenses | 2,015 | 2,290 | 25,611 |
| Compensation expenses | 296 | 124 | 1,388 |
| Other | 551 | 498 | 5,579 |
| Total non-operating expenses | 2,863 | 2,913 | 32,578 |
| Ordinary income | 19,638 | 19,730 | 220,625 |
| Extraordinary income | | | |
| Gain on prior period adjustment | 55 | 145 | 1,630 |
| Gain on sales of noncurrent assets | 88 | 10 | 122 |
| Gain on sales of investment securities | 83 | — | — |
| Gain on sales of subsidiaries and affiliates' stocks | — | 757 | 8,472 |
| Reversal of allowance for doubtful accounts | 184 | — | — |
| Gain on forgiveness of debts | 104 | — | — |
| Reversal of provision for directors' retirement benefits | — | 127 | 1,422 |
| Reversal of provision for loss on guarantees | — | 536 | 6,001 |
| Other | 3 | 42 | 472 |
| Total extraordinary income | 520 | 1,620 | 18,121 |
| Extraordinary loss | | | |
| Loss on sales of noncurrent assets | 6 | 64 | 716 |
| Loss on retirement of noncurrent assets | 1,532 | 783 | 8,757 |
| Impairment loss | 343 | 1,190 | 13,306 |
| Provision for directors' retirement benefits | 276 | — | — |
| Provision for loss on recollection of gift certificates | 57 | — | — |
| Provision for loss on demolition building | 518 | — | — |
| Provision for loss on interest repayment | 342 | — | — |
| Loss on cancellation of store opening | 115 | — | — |
| Other | 798 | 292 | 3,269 |
| Total extraordinary losses | 3,991 | 2,329 | 26,050 |
| Income before income taxes and minority interests | 16,167 | 19,021 | 212,696 |
| Income taxes-current | 3,823 | 8,018 | 89,663 |
| Income taxes-deferred | (383) | 1,683 | 18,822 |
| Total income taxes | 3,439 | 9,701 | 108,485 |
| Minority interests in income (loss) | (7) | 567 | 6,345 |
| Net income | ¥ 12,734 | ¥ 8,752 | \$ 97,865 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

Thousands of U.S.dollars

| Izumi Co., Ltd. and its subsidiaries For the years ended Feb 28, 2009 and Feb 28, 2010 | 2009 | 2010 | 2010 |
|---|-----------------|-----------------|------------------|
| Net cash provided by (used in) operating activities | | | |
| Income before income taxes and minority interests | ¥ 16,167 | ¥ 19,021 | \$ 212,696 |
| Depreciation and amortization | 14,094 | 15,115 | 169,024 |
| Impairment loss | 343 | 1,190 | 13,306 |
| Amortization of goodwill | 169 | — | — |
| Amortization of negative goodwill | — | (142) | (1,589) |
| Increase (decrease) in allowance for doubtful accounts | (285) | (47) | (535) |
| Interest and dividends income | (304) | (252) | (2,824) |
| Loss (gain) on sales of investment securities | 42 | — | — |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | — | (757) | (8,472) |
| Interest expenses | 2,015 | 2,290 | 25,611 |
| Equity in (earnings) losses of affiliates | (187) | (159) | (1,786) |
| Loss (gain) on sales of noncurrent assets | (76) | 53 | 593 |
| Loss on retirement of property, plant and equipment | 1,530 | — | — |
| Loss on retirement of noncurrent assets | — | 783 | 8,757 |
| Decrease (increase) in notes and accounts receivable-trade | (3,099) | (2,163) | (24,192) |
| Decrease (increase) in inventories | 856 | 1,881 | 21,034 |
| Increase (decrease) in notes and accounts payable-trade | 9,885 | 545 | 6,098 |
| Other, net | 4,473 | 1,778 | 19,887 |
| Subtotal | 45,627 | 39,135 | 437,607 |
| Interest and dividends income received | 353 | 335 | 3,749 |
| Interest expenses paid | (1,798) | (2,267) | (25,357) |
| Income taxes paid | (8,081) | (2,775) | (31,033) |
| Net cash provided by (used in) operating activities | 36,100 | 34,427 | 384,965 |
| Net cash provided by (used in) investing activities | | | |
| Purchase of property, plant and equipment | (39,885) | (21,382) | (239,094) |
| Proceeds from sales of property, plant and equipment | 1,907 | 162 | 1,811 |
| Purchase of intangible assets | (3,125) | (483) | (5,402) |
| Purchase of investment securities | (50) | (12) | (135) |
| Proceeds from sales of investment securities | 270 | 608 | 6,804 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (29) | — | — |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | — | 7 | 84 |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | — | 12 | 139 |
| Other, net | 1,461 | 833 | 9,317 |
| Net cash provided by (used in) investing activities | (39,451) | (20,253) | (226,475) |
| Net cash provided by (used in) financing activities | | | |
| Net increase (decrease) in short-term loans payable | (19,176) | (1,464) | (16,370) |
| Proceeds from long-term loans payable | 44,600 | 27,900 | 311,975 |
| Repayment of long-term loans payable | (17,976) | (13,957) | (156,075) |
| Redemption of convertible bonds | — | (19,070) | (213,239) |
| Purchase of treasury stock | (7) | (1) | (20) |
| Cash dividends paid | (1,514) | (1,524) | (17,045) |
| Cash dividends paid to minority shareholders | (20) | (20) | (224) |
| Other, net | (2,222) | (255) | (2,851) |
| Net cash provided by (used in) financing activities | 3,683 | (8,393) | (93,851) |
| Effect of exchange rate change on cash and cash equivalents | | | |
| Net increase (decrease) in cash and cash equivalents | 321 | 5,769 | 64,514 |
| Cash and cash equivalents at beginning of period | 9,429 | 9,751 | 109,036 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | — | (29) | (331) |
| Cash and cash equivalents at end of period | 9,751 | 15,490 | 173,219 |

Izumi Corporate Profile

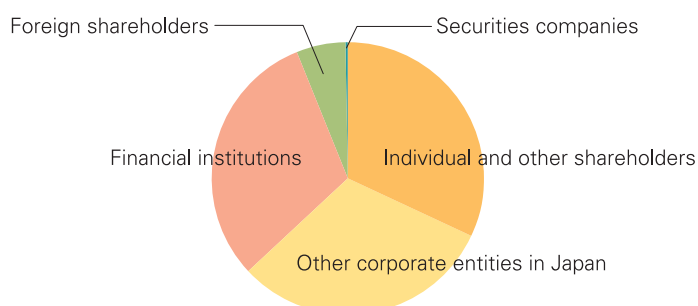
Date of establishment: **October 27, 1961**
 Head office: **2-22 Kyobashi-cho, Minami-ku, Hiroshima 732-0828, Japan**
 Tel: **+81-82-264-3211**
 Paid-in capital: **¥19,613 million**
 Employees: **2,664 full-time, 4,802 part-time (working eight-hour shifts)**
 Number of malls/stores: **85**

| Chugoku Region | | Kyushu Region | | Other Regions | |
|-----------------|----|----------------|---|---------------|---|
| Hiroshima Pref. | 30 | Fukuoka Pref. | 9 | Kagawa Pref. | 3 |
| Okayama Pref. | 10 | Saga Pref. | 3 | Hyogo Pref. | 3 |
| Yamaguchi Pref. | 9 | Oita Pref. | 2 | Others | 4 |
| Shimane Pref. | 6 | Nagasaki Pref. | 1 | | |
| | | Kumamoto Pref. | 5 | | |

Stock information

Total number of shares issued by the Company **195,243,000 shares**
 Total number of outstanding shares **123,117,420 shares**
 Number of shareholders **5,023**
 Lot size **100 shares**

Distribution of stock (excluding odd-lot shares)



| | |
|-----------------------------------|-------|
| Individual and other shareholders | 32.2% |
| Other corporate entities in Japan | 30.9% |
| Financial institutions | 30.9% |
| Foreign shareholders | 5.9% |
| Financial instruments companies | 0.1% |

Major shareholders

| Shareholder name | Number of shares held (unit: thousands) | Percentage of total shares |
|--|--|-------------------------------|
| Izumiya, Ltd. | 11,501 | 12.07% |
| Yamanishi World, Ltd. | 8,433 | 8.85% |
| Nippon Life Insurance Co. | 5,214 | 5.47% |
| The Hiroshima Bank, Ltd. | 4,724 | 4.96% |
| Izumi Kousan Co., Ltd. | 4,104 | 4.31% |
| Daiichi Life Insurance Co. | 4,030 | 4.23% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3,998 | 4.20% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 3,973 | 4.17% |
| Izumi Hiroshima Kyoekai | 2,820 | 2.96% |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 2,429 | 2.55% |

Note (1): Shares held by the Company itself are not included

Note (2): As of April 1, 2010, Daiichi Life Insurance Co. has changed from a mutual insurance company to a joint stock insurance company

Izumi Co., Ltd.

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