



IZUMI CO., LTD.

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ANNUAL REPORT 2021

From March 1st, 2020 to February 28th, 2021
IZUMI CO., LTD.



New Management Philosophy

Filling our employees with pride and joy as we continue contributing to communities and our customers' lives

Forming more intimate relationships with each local customer

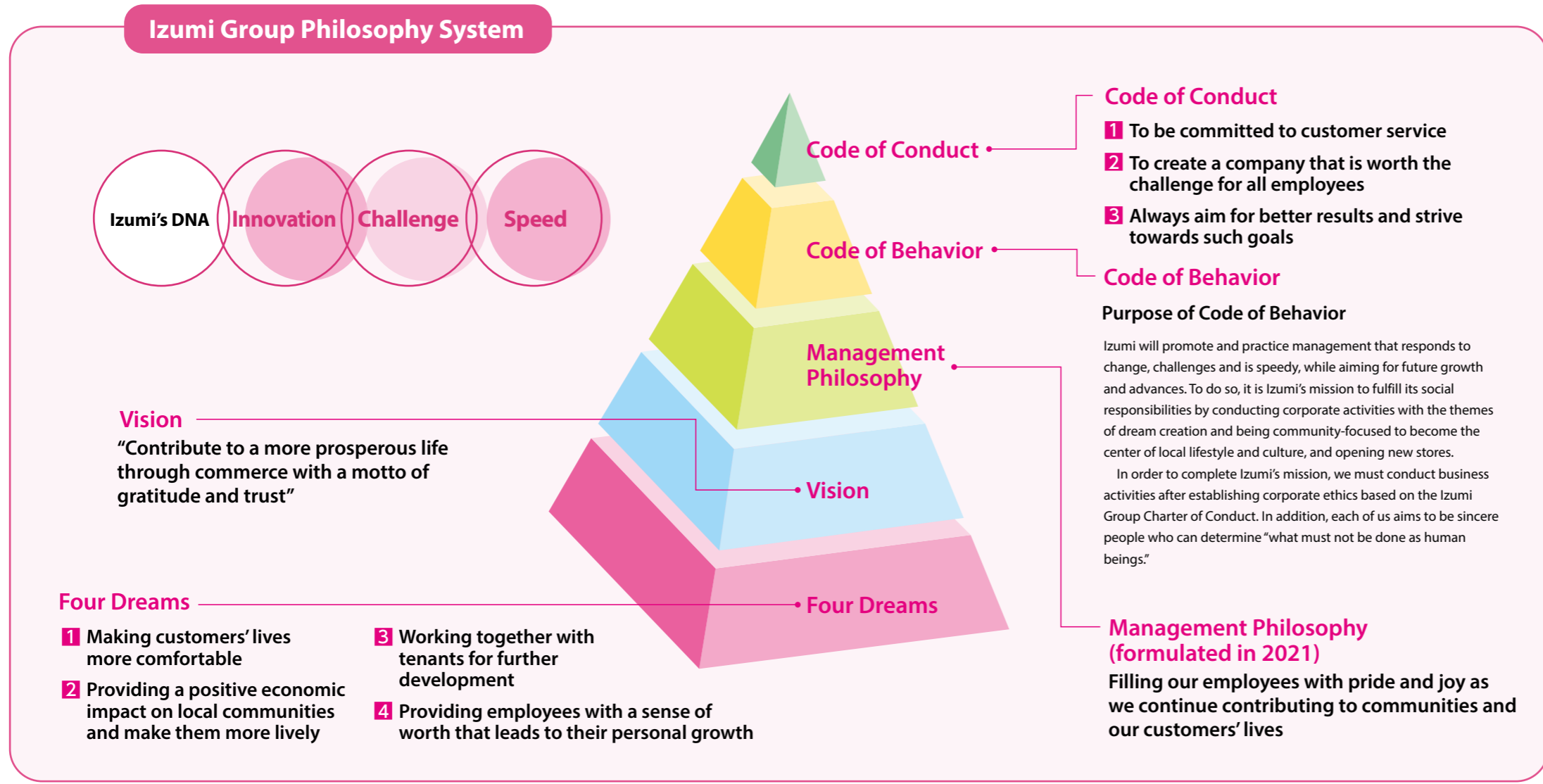
As the declining birthrate and aging population trends continue, the number of elderly and single-person households has been growing, particularly in rural areas. Additionally, the utilization of AI and the IoT has accelerated amid the COVID-19 pandemic. Given the dramatic changes occurring in consumer behavior and consciousness, as well as social and economic structures, we at the Izumi Group are facing a transformation of our own.

In our new management philosophy announced in March 2021, we clearly stated our goal of becoming a 100-year-old company while maintaining our passion for supporting local communities and satisfying our customers that we have cherished since our founding 60 years ago. Going forward, we will promote responses tailored to the actual conditions in cities and towns in addition to the larger framework of the Chugoku, Shikoku, and Kyushu regions. We will also strengthen measures to form more intimate relationships with individual customers while utilizing digital technology. Further, we will make efforts to create an environment in which all employees can take pride in their work, and we will improve our corporate value in every aspect.



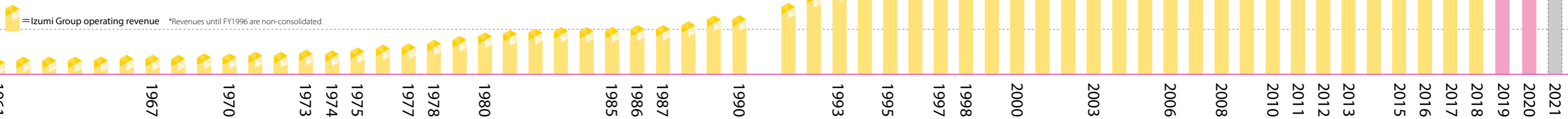
CONTENTS

- New Management Philosophy 2
- History "Challenges of Izumi" 4
- Strengths of Izumi 6
- Izumi's business model 8
- Message from the president 10
- Second Medium-Term Management Plan 14
- Answering market questions 18
- Store networks/Main business platforms 20
- Operating results by segment 22
- ESG management/ESG Action 24
- Corporate governance 28
- List of executives 32
- Eleven-Year Summary 34
- Management analysis of the fiscal year under review 36
- Main consolidated financial indicators 38
- Company summary and stock information 43



60 years of generating new value: Achieving further growth with local communities

It has been 60 years since Izumi opened its first supermarket in the Chugoku and Shikoku regions in 1961. Filled with the passionate desire to make our customers happy and grow alongside communities, we have undertaken the challenge of creating stores and pursuing local development rooted in communities. We will continue striving to generate new value in response to the changing times while lending our full support to the dreams of our stakeholders, and we will channel these efforts into further growth.



Prior to founding	Early times after founding	Growing years	Developing years	Innovative years
<p>1946 The founder, Yoshimasa Yamanishi, opens a stall outside Hiroshima Station.</p> <p>1950 Apparel wholesaler Yamanishi K.K. is established.</p>	<p>1946 Constitution of Japan takes effect.</p> <p>1955 High economic growth starts. Japan's U.N. membership is approved by the U.N. General Assembly.</p> <p>1958 Construction of the Tokyo Tower is completed.</p> <p>1960 Color TV broadcasting begins.</p> <p>1964 Tokyo Olympic Games are held.</p> <p>1966 New Three Sacred Treasures (washing machine, refrigerator, and black and white TV) become popular.</p> <p>1968 The first retort pouches of curry are available.</p> <p>1969 Apollo 11 lunar landing.</p> <p>1970 Osaka Expo is held.</p> <p>1971 Nixon shock.</p> <p>1972 Sapporo Olympic Games, Return of Okinawa to Japanese sovereignty.</p>	<p>1975 The Izumi Association is established to deepen exchanges with business partners.</p> <p>1977 Izumi joins the Japan Chain Stores Association.</p> <p>1978 The Company's stock is listed on the Second Section of the Osaka Securities Exchange and on the Hiroshima Securities Exchange.</p> <p>1980 Izumi changes the Japanese spelling of its company name ("Izumi" changes from hiragana to katakana). It also creates its first corporate logo.</p> <p>1985 The point-of-sale (POS) systems are introduced.</p> <p>1986 The Company's stock is listed on the First Section of the Osaka Securities Exchange and on the Second Section of the Tokyo Stock Exchange.</p> <p>1987 The Company's stock is listed on the First Section of the Tokyo Stock Exchange.</p>	<p>1990 Youme Town Takahashi and Higashihiroshima open. The Youme Town format shop is established with the collaboration of local government and citizens as a shopping center energizing the community.</p> <p>1993 Yasuaki Yamanishi is appointed president and representative director. Yoshimasa Yamanishi is appointed chairperson and representative director.</p> <p>1995 Youme Town Onga opens in Fukuoka Prefecture, making the first store opening in Kyushu.</p> <p>1997 The Izumi Museum of Art opens.</p> <p>1998 Youme Town Takamatsu opens. It is our flag ship Youme Town store and one of the largest retail facilities in western Japan.</p> <p>2000 Yumesaito (Youme Town Yumesaito) and Youme Town Hakata open. The start of Izumi's full-fledged expansion in Kyushu.</p> <p>2003 Youme Town Kurume opens. A showcase for community building closely in tune with the local community.</p> <p>2006 Youme Town Saga opens. Japan's first mall with a cross-mall format.</p>	<p>2008 Izumi returns to its roots in Hiroshima to open Youme Town Hiroshima.</p> <p>2011 The company's 50th anniversary. Youme Town Tokushima opens. Izumi's first next generation store for the next 100 years.</p> <p>2012 Youme Mart Kokura Higashi opens as the first Youme Mart format.</p> <p>2013 Izumi's new head office building is completed. Youme Mall Shimomoseki opens as the first Youme Mall format.</p> <p>2015 Youme Town Hatsukaichi opens. A shopping center that aims to blend the town, environment, and people together in harmony.</p> <p>2016 A large earthquake strikes Kumamoto and Izumi immediately provides assistance and helps with the reconstruction effort.</p> <p>2017 The new business platform LECT opens. A facility for spending time leisurely centered around the main themes of culture, food, and living. The Medium-Term Management Plan (FY2018-FY2020) is created.</p> <p>2018 Conclusion of business alliance with Seven & i Holdings Co., Ltd. Mutual use service between Yumeca (e-money) and nanaco commences.</p> <p>2019 Youme Town Fukuyama opens. A capital and business alliance with Maruyoshi Center Inc. forms.</p> <p>2020 30th anniversary of the formation of Youme Town.</p> <p>2021 60th anniversary of Izumi's founding. 2nd Medium-Term Management Plan (FY2021-FY2025) is created.</p>

1961: Founding → 2021: 60th Anniversary

Izumi was founded in 1961 based on the concept of "a gushing wellspring of growth." Our first store, Izumi Hatchobori, was our first supermarket in the Chugoku and Shikoku regions, and our first large-scale suburban store in the Chugoku region, Izumi Gion, opened for business in 1973. In the 60 years since our founding, Izumi has developed forward-thinking stores based on its mission of making customers happy, and we will continue these efforts going forward.



First Izumi supermarket Hatchobori store



Izumi Gion store

1990: Birth of Youme Town → 2020: 30th Anniversary

It has been 30 years since Youme Town was established in 1990 based on the concept of "creating a community where locals can come together." It has enjoyed a popular reception for its wide variety of products and services for children, adults, and the elderly, as well as its spacious interior. Going forward, it will continue promoting contributions to community building.



Youme Town Hiroshima

2020 onward: Response to COVID-19 infections

We have implemented thorough countermeasures, with top priority given to ensuring the safety of customers and employees and maintaining lifelines for the region. In light of the pandemic situation, we took measures such as closing specialty stores and encouraging employees to work remotely (see page 26 for details).

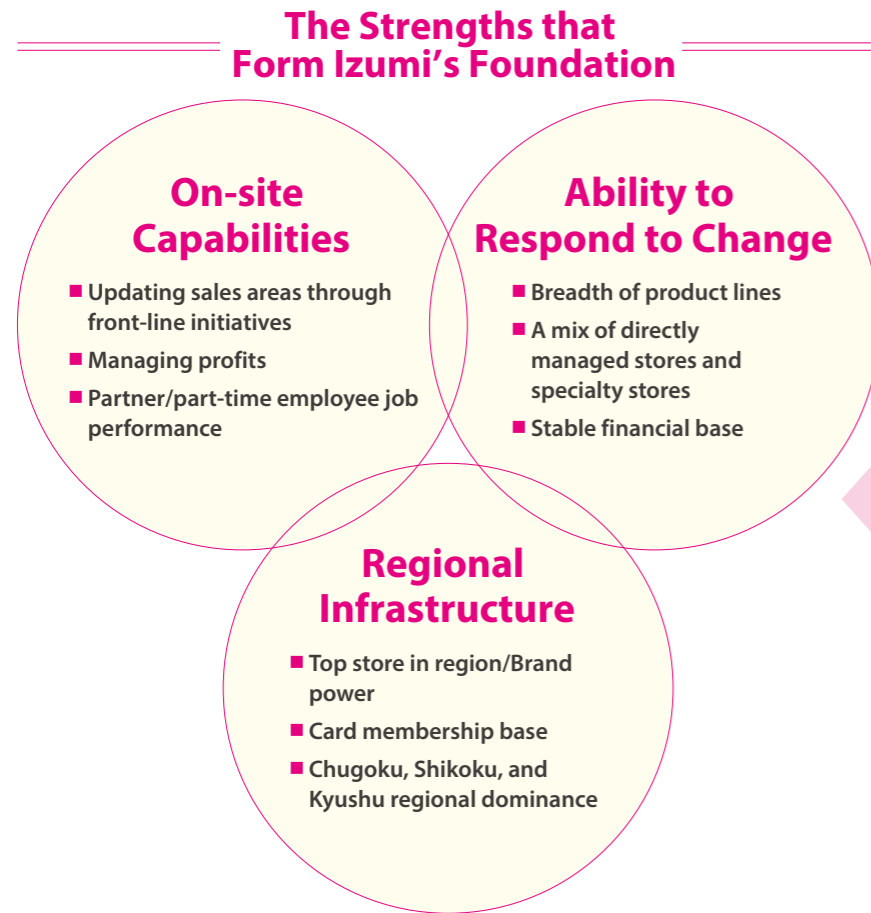


Acrylic panels installed to prevent infection from droplets

Aiming for management that continuously generates value while responding to societal change and leveraging our strengths

The Izumi Group's three unique strengths—"dominance in West Japan," "high efficiency and high wages by assigning the right people to the right positions," and "high level of store competitiveness"—are the result of the desire we have had since our founding: to grow alongside local communities and make our customers happy.

With these three strengths forming the foundation of our company, we will continue to quickly adapt to changes in society and generate our own value going forward.



The strengths Izumi has cultivated over the course of its business development

Improving management efficiency
Improving employee motivation
Aiming to be No. 1 store in the region

Establish dominance in West Japan



Increase share within area of dominance through store openings, M&A, and alliances

- Making GMS (shopping centers) the foundation of community life
- Driving growth for the Group through SM (food supermarkets)
- Win-win tie-ups with leading retailers, supporting and restructuring of businesses confronted with issues

We will develop new commercial facilities for the "new normal" era that are closely intertwined with the community, and we will maximize our dominance by developing next-generation supermarkets and expanding our store network.

We will expand the Group's economic sphere by improving services in the region, thereby expanding our share of the food market and accelerating growth. In terms of economic rationality, we will utilize M&As and alliances to delve into existing markets and expand our business areas.

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



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

- Promoting business reform and development of personnel
- Achieving the benefits of business reforms by promoting DX

We will promote both business reforms and personnel development and achieve the benefits of these business reforms in multiple areas by promoting DX, as well as applying the surplus time generated from improved hourly productivity to the development of our personnel.

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

- Established Izumi University for management development
- Aiming for female managers to account for 20% or more of total
- Pushing forward with child rearing support certified as a "Child-Rearing Support Enterprise"

We organize a career plan and education system that respects 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 is provided based on level, such as focused training for store managers, to allow employees to take the next step in their careers. We provide training opportunities to accommodate a variety of goals, such as women's leadership development training. We also recently established Izumi University as part of our training system to further enhance the development of the next generation of managers. 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.

High level of store competitiveness



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

- Continuous upgrades to keep stores up-to-date
- Improve store value by attracting prominent tenants
- Utilize apps, social media, and customer-specific purchase data

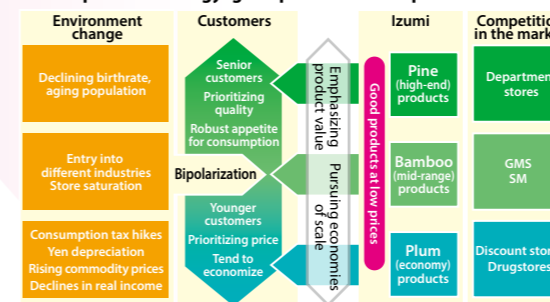
We will enhance customer relationship management (CRM) through the use of apps and social media. By utilizing our customer data platform (CDP), we will create optimal promotions that are tailored to each individual customer. In addition, our new Youme app, for which we are aiming for a user base of approximately 3 million people (approximately 1.12 million as of the end of February 2021), will enhance convenience through payment and digital coupon functions. It will also improve our points of contact with our customers, thereby increasing customer lifetime value and expanding our base of new customers.

Community-based and store-initiated responses to customer needs

■ Realize "good products at low prices"

"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."

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



Establishing an Original Brand by Maximizing Customer Satisfaction

We believe that customer satisfaction is the source of corporate value creation, and that striving to maximize it is the key to differentiating ourselves in the retail industry and demonstrating a competitive advantage in the marketplace.

Through selective investments of diverse array of management capital, we will achieve sustainable expansion of economic value in our financial statements while also expanding social value by embedding the "Youme brand" in local communities.



We aim to be a sustainable company that grows its profits while contributing to society.



山西泰明

Yasuaki Yamanishi

President and Representative Director
IZUMI CO., LTD.

The spread of COVID-19 has caused the situation in Japan to remain unpredictable, with a third state of emergency being declared in April 2021, among other developments. I express my deepest condolences to those who have lost their lives to the raging pandemic. I would also like to express my sincerest respect for the medical personnel and others who are striving to prevent the spread of the virus and keep society functioning.

Overcoming the COVID-19 pandemic

Fiscal 2020 was a year consumed with efforts to respond to the COVID-19 pandemic. Izumi Group prioritized ensuring the safety of its customers and employees and keeping lifelines available. From February 2020 onward, we took the initiative in issuing internal announcements from time to time to make sure that everyone wore masks, alcohol supplies were made available, and everyone practiced social distancing. We also had our stores stock the necessary supplies of food and hygiene products to support local communities.

After the first state of emergency declaration was lifted (May 2020), we gradually eased restrictions, but we continue to pay close attention to infection trends to ensure safety. Employees carry a handbook with them at all times that details how to handle the COVID-19 situation. Rules for preventing infections are shared among all employees, which they observe as they go about their daily tasks.

In response to calls for staying at home and avoiding the Three Cs (closed spaces, crowds, and close contact), consumer lifestyles and purchasing behaviors have continuously evolved throughout this period, such as through an increase in stay-at-home consumption. We, the Izumi Group, have begun updating our business model with an eye toward the post-pandemic situation. Going forward, we will carry out reforms in line with our second Medium-Term Management Plan (see below) in a systematic fashion.

Reflecting on Fiscal 2020

In fiscal 2020, the Japanese economy faced worsening market conditions due to the spread of COVID-19, while weak

consumer sentiment continued after the increase in the consumption tax in October 2019. The number of customers visiting the shopping center Youme Town, which has been vying for customers from distant areas, decreased due to people voluntarily holding off on unnecessary outings and cross-prefectural travel. In terms of sales, apparel sales, particularly formal wear, experienced a slowdown.

Conversely, the rise of stay-at-home consumption led to a spike in demand for the food supermarket Youme Mart, and fresh foods and prepared foods performed especially well. To prevent overcrowding due to special bargain sales, we reduced the prices of frequently purchased standard products (1,800 items), such as beverages and frozen foods, by up to 30%. We also tried to support customers' household budgets by deciding to always sell products at bargain prices.

While the retail industry as a whole found itself in dire straits, we took measures early on in anticipation of reduced demand. We reviewed our purchasing plans, shrank inventories, and optimized promotions. As a result of our employees' efforts, we posted excellent results and made progress toward achieving a lean and robust management structure in fiscal 2020.

As a result, while operating revenue decreased by 8.7% year-on-year to 679.778 billion yen, we achieved double-digit growth, with operating profit increasing by 12.2% to 35.781 billion yen, ordinary profit increasing by 12.8% to 36.078 billion yen, and profit attributable to owners of parent increasing by 15.5% to 23.053 billion yen.

Evaluation of the first Medium-Term Management Plan

The Group has promoted a three-year Medium-Term Management Plan spanning FY2018 to FY2020. Due to the unfortunate results of the first fiscal year, we reviewed our plan in April 2019 and revised the numerical targets for the final fiscal year downward. In response to changes in the market environment, we shifted from an expansion-based strategy centered on opening new stores to a growth-based strategy centered on profitability. The following is a status report on the implementation of our five key measures.

1. Growth strategy

We opened 10 new stores and closed 7 unprofitable stores over a 3-year period. The large-scale stores we inherited from Seiyu and Ito-Yokado have posted steady results. In addition, we formed a capital and business alliance with Maruyoshi Center Inc., which operates supermarkets primarily in Kagawa Prefecture, and increased the Group's presence in Shikoku.

2. Revitalizing existing stores

We completed our large-scale revitalization at 13 large stores. In response to customer needs, we focused on expanded food sales areas and food courts in particular.

3. Enhancement of competitive power

We have begun offering Seven Premium products through a

business alliance with Seven & i Holdings Co., Ltd. In addition, our food manufacturing subsidiary YOUME DELICA CO., LTD. has completed construction on a new plant, which has allowed us to reinforce our system for supplying prepared foods. We have also made significant progress in creating a highly profitable organization through cost structure reforms.

4. Enhancement of human resources development

We launched a training program that dispatches employees to leading competing companies, and we enhanced training for employees of all levels, including the development of next-generation leaders. In addition, we have made efforts to develop female managers to promote diversity.

5. Expansion of digital investment

Our e-commerce site, Youme Online, was revamped in April 2020. In addition, we worked on the development of the "Youme App" (launched in April 2021) and have laid the groundwork for transitioning from conventional sales promotion activities centered around mass marketing to "individual" marketing that is tailored to the diversity of customer values. Moreover, with regard to DX (Digital Transformation), which aims to improve productivity, there has been progress in the introduction of predictive supply ordering system.

Celebrating Our 60-year Anniversary: Announcing a New Management Philosophy

2021 marks the 60th anniversary of the founding of IZUMI CO., LTD. We have taken this opportunity to establish our new management philosophy of "filling our employees with pride and joy as we continue contributing to communities and our customers' lives," which we announced both internally and externally. This new philosophy places emphasis on "communities." Ever since its founding, Izumi has developed alongside local communities. We are determined to continue to be a company that achieves progress together with communities. The philosophy also stresses the importance of providing an environment where employees can achieve their full potential and undergo personal growth while maintaining close ties to local communities. With our new management philosophy as the core, we have organized our philosophical system and embarked on our journey toward becoming a 100-year-old company with a renewed sense of purpose.

At the same time as we announced our new management philosophy, we shared our 2030 Long-Term Vision, which describes where we want Izumi to be in 10 years. Along with numerical targets that included establishing a 300-store network in the Chugoku, Shikoku, and Kyushu regions, operating revenues of 1 trillion yen, and an operating profit on sales of 6.0%, the company expressed its determination to contribute to society by "taking on the challenge of co-creation together with communities full of dreams (Youme)."

To make this vision a reality, besides business innovation, an ESG (Environmental, Social and Governance)-based outlook is indispensable. We will also strive to create sustainable stores and communities, with the United Nations' SDGs serving as a guide.

Our goals for the second Medium-Term Management Plan

Our second Medium-Term Management Plan will be implemented over the five-year period from March 2021 to February 2026 (details available on pages 14 to 17). The main issues to be tackled in this plan are the declining birthrate and aging population, the declining population, handling the post-pandemic "new normal," and DX (digital transformation).

1. SM (food supermarket) reforms

Due to the declining birthrate, aging population, and the effects of the COVID-19 pandemic, people have increasingly been doing their shopping at local stores. Demand is shrinking as well due to a declining population. In anticipation of these social changes, we will work to quickly establish a fundamental SM format based on low-cost operations. In addition, we will set ourselves apart using our fresh foods and prepared foods, which are Izumi's strengths, and enhance our EDLP (Everyday Low Price) initiative, by which we sell our products at bargain prices every day. We will promote the creation of stores that bolster profits by growing the number of regular customers, and turn SMs into a driver of growth for the Izumi Group.

2. GMS (shopping center) reforms

We will turn GMS, which have traditionally developed by attracting customers from a wide area, into "regional hubs" for local residents. Opening new stores and achieving revitalization will pave the way for enhanced community functions, including libraries and public facilities. We will create a next-generation "Youme Town" that encourages people to interact with one another.

3. Grow profits while contributing to regions through DX

We plan to invest 20 billion yen over five years to implement DX reforms throughout all of the company's businesses. To enhance customer convenience, we will launch an e-commerce site that links directly to store inventories, as well as a service called "Youme Delivery" that delivers products from stores to customers' homes, in June 2021. We have launched BOPIS (Buy Online Pick-up In Store) and we are focusing on the integration of e-commerce and physical stores. We will introduce cardless payments via our new Youme App and develop personalized sales promotions in an efficient manner. To increase employee productivity, we plan to implement an automatic ordering system that utilizes AI, as well as electronic shelf tags. The extra time generated through improved work efficiency will be used for training and increasing the motivation of personnel.

4. Enhanced group management

We will promote the improvement of management efficiency so that we can maximize the synergy derived from group collaboration. We will actively pursue M&A and business alliances to expand the economic sphere of the Group as well as its business areas.

Organizational reforms to enhancing effectiveness

Once we began implementing the second Medium-Term Management Plan, we instituted a major organizational reform starting March 1, 2021. Our three objectives are to create a system that can adapt swiftly to changes in the business environment, improve management efficiency through integration of divisions, and develop the next generation of managers by delegating responsibilities. The most prominent feature of this new system is the flattening of the organization into 10 divisions, a structure that will facilitate speedy management. We will also harness the power of inter-divisional collaboration to exercise the functionality of the new organization and bolster the effectiveness of the second Medium-Term Management Plan.

Outlook for fiscal 2021

In fiscal 2021, besides changes in the macro environment, the end of the COVID-19 pandemic is uncertain, and there are fears that the global economic downturn will exceed the 2008 financial crisis in severity.

Under such circumstances, the Group will aim to achieve additional growth by using the tough business environment as an opportunity for reform, building on the robust management structure established in fiscal 2020. Fiscal 2021 is the first year of our second Medium-Term Management Plan, and we will work toward its steady implementation.

Next fiscal year, we expect sales at our existing stores to be 108.2% compared to the previous year, and our full-year forecast is for operating revenue to increase 6.1% year-on-year to 721.4 billion yen, operating profit to increase 2.6% to 36.7 billion yen, and profit attributable to owners of parent to increase 1.9% to 23.5 billion yen.

To Shareholders and Investors

With regard to fiscal 2020 dividends, we have settled on an interim dividend of 40 yen per share. The year-end dividend will be 43 yen per share in light of the current fiscal year's results, the future business environment, and other factors, bringing the total annual dividend to 83 yen per share (80 yen per share the previous year). Through an aggressive dividend policy in line with profit growth, we are looking to increase the consolidated dividend payout ratio (dividends as a percentage of net income) from the current 25.8% to 30% by the final year of the second Medium-Term Management Plan.

Izumi's ideal state

Aiming for 1 trillion yen in operating revenue and 300 stores by 2030

As we approach the 60th anniversary of our founding, we have revised our management philosophy to reflect our determination to continue to be a company that maintains close ties with local communities. Based on this new management philosophy, we announced our "2030 Long-Term Vision" to share our vision of where we want to be in 10 years. We will make this long-term vision a reality through steadfast implementation of our second Medium-Term Management Plan, which was formulated in April 2021.

New Management Philosophy

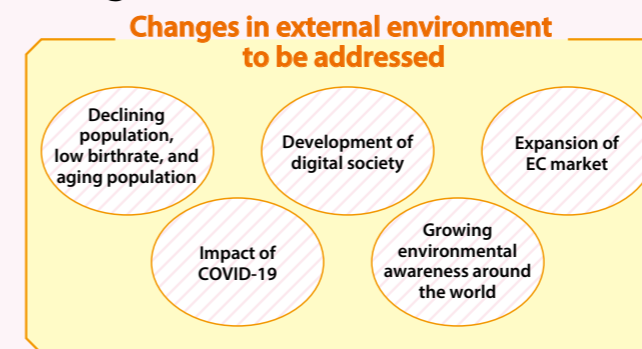
Filling our employees with pride and joy as we continue contributing to communities and our customers' lives

Long-Term Vision for 2030

- Taking on the challenge of co-creation together with communities full of dreams (Youme)
- Creating a 300-store network centered on the Chugoku, Shikoku, and Kyushu regions



Background and future direction of plan



During the three-year period starting in 2018, which the first Medium-Term Management Plan covered, there was a decline in social and economic activity due to the impact of a succession of natural disasters and COVID-19. Consumer behavior has also changed dramatically due to the declining birthrate and aging population, the advance of digitalization, and increased environmental awareness. A number of issues remain to be addressed, including how to manage stores in a manner appropriate for the post-COVID "new normal" era and how to respond to digitalization.



In our second Medium-Term Management Plan, we will work to resolve issues by leveraging Izumi's on-site capabilities, our ability to respond to change, and our regional brand power. We will also raise all employees' awareness about ESG principles, which will continue to grow in significance in the future, and put them into practice to achieve our management vision.

Second Medium-Term Management Plan

In fiscal 2021, Izumi Group will continue to keep lifelines available for local residents while working to generate both social and economic value through effective investments. I

ask that our shareholders and investors lend us their continued support and patronage as well as their belief in the potential of the Izumi Group's activities.

Launch of Second Medium-Term Management Plan

We aim to realize this plan over the five-year period of March 2021 to February 2026

Business strategy

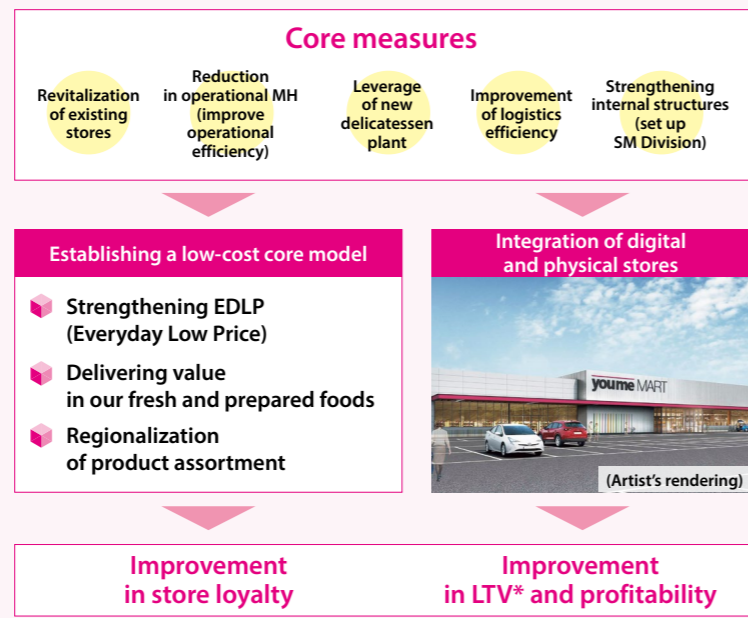
Food supermarkets (SM) reform

Making next-generation supermarkets a driver of growth

In order to develop this area as a future growth driver for the Izumi Group, we will promote a range of activities including next-generation supermarket development, expansion of store networks, and implementation of low-cost management strategies. We will increase customer satisfaction by improving services through digitization and creating regional hubs. By increasing new store openings and our M&A activity, we aim to increase our market share in food sales in areas where our stores are located, from its current 8.6%* to over 10%.

*Share of sales including GMS stores from the 2020 Food Supermarket Almanac only for the prefectures where Izumi Group stores are located

- Over 5 years:
 - open **31** new stores
 - 39 billion yen** investment
- Revitalize:
 - 87** existing stores
 - 10 billion yen** investment



GMS reform

Working with communities to create facilities that will impress our customers

We are carrying out store-led renovations of existing stores, cooperating with communities, and turning our stores into facilities that will impress our customers. In order to respond to our customers' changing lifestyles, the Merchandise Departments for clothing and household goods have been merged to create a Lifestyle Division. Working across departments, this Division will put forward our lifestyle offering and demonstrate our capacity to transform our sales floors. In two of the new stores we plan to open, we will combine the digital and the physical, aiming to create facilities suited to the new normal.

- Over 5 years:
 - open **2** new stores
 - 40 billion yen** investment
- Revitalize:
 - 60** existing stores
 - 17 billion yen** investment



Promotion of DX

Leveraging digital tools to bring benefits to our customers and grow our profits

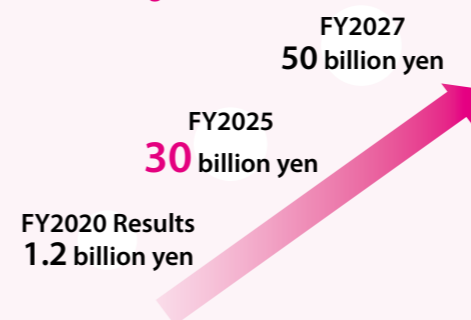
With Youme Online, Youme Delivery, Youme App, and other services, we will actively pursue our own Izumi-style DX that meets the needs of our customers. We will also make large-scale investments into operational reform (introduced on P16), including predictive supply ordering and data management, and contributions to local communities (introduced on P26), such as shopping support that utilizes DX.

Over 5 years:
20 billion yen investment

Delivering digital commerce: the evolution of e-commerce

We will respond to the growing e-commerce market by expanding our store-linked select online sales service, Youme Online, and plan to improve customer convenience within our trade areas with the launch of our community-oriented delivery service, Youme Delivery. This strategy will lead to new customer relationships at the same time as it solidifies our market share in our trade areas.

Digital commerce transaction value targets



Youme Online (redesigned April 2020)

Store-linked select online sales service

- Nationwide shipping available
- Gifts and traditional Japanese New Year dishes organized in conjunction with in-store reservation
- Carries clothing, food, and household goods from store inventories (ship-from-store model)
- Youme Online-exclusive products (farm-fresh products, anytime gifts)
- Cooperative planning with external business partners (shipping direct from manufacturers and wholesalers)



Youme Delivery (rolled out June 2021)

Community-oriented delivery service

- Covers the trade area within a 15 minute drive radius of a store
- Ship-from-store model with a focus on food items (including fresh foods) and general goods
- Meets demand for BOPIS (storefront pick-up), in addition to home delivery
- Further solidifies our market share in areas where we are opening new stores



Youme App (delivered April 2021)

4 features

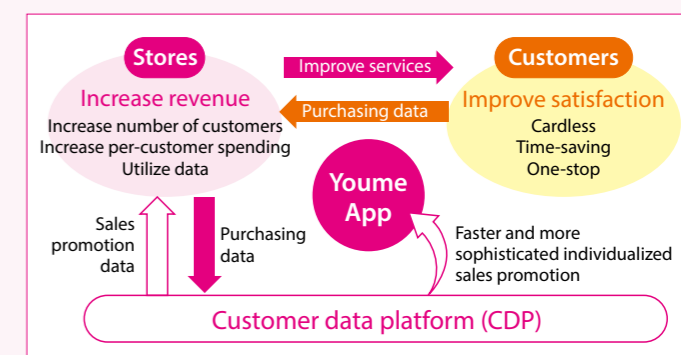
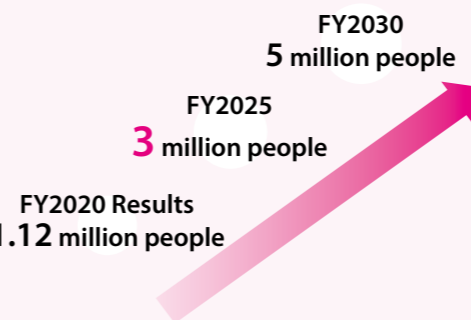
- Payment feature
- Digital coupons
- Individualized sales promotion
- Tenant sales promotion



Centering Youme App in drive to strengthen customer relations

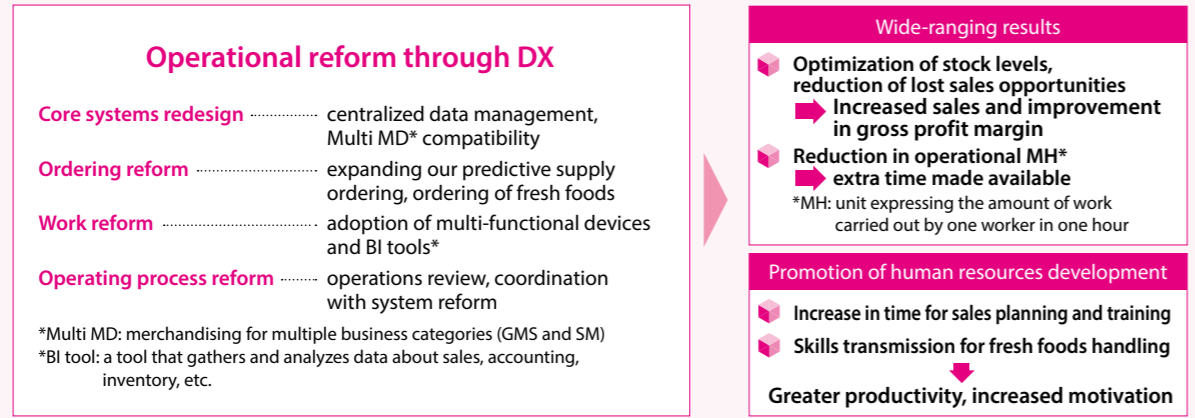
As part of our strategy to support SM and GMS operations, we will strengthen our customer relationship management systems. Utilizing customer data infrastructure (our customer data platform, CDP), we will implement optimized promotions that focus on each individual customer. We aim to improve our customer touchpoints by increasing customer convenience with the new Youme App (delivered in April 2021), leading to improved LTV and expansion of our base of new customers.

App user targets

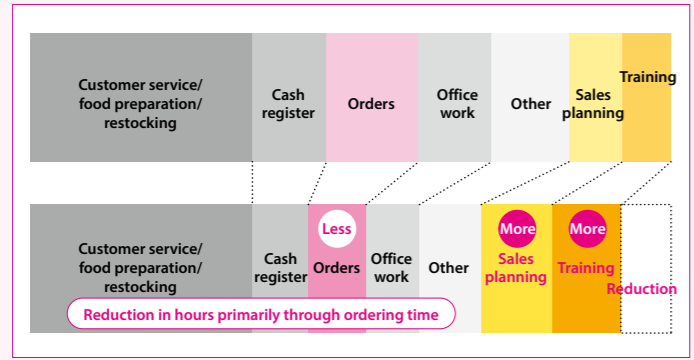


Promotion of operational reform and human resources development

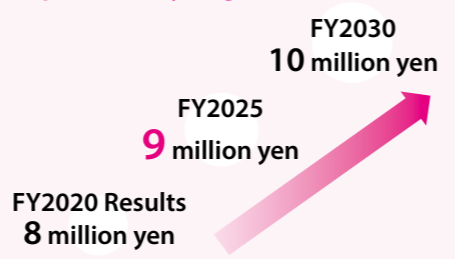
We will promote DX and put the benefits of operational reform into effect in a wide range of areas, including increasing work efficiency through predictive supply ordering and optimizing stock levels through redesigning core systems. The extra time made available by improving productivity will be used for training our human resources. This will both strengthen our on-site capabilities and lead to increased employee motivation.



Representation of changes to store employees' working hours



Employee labor productivity targets

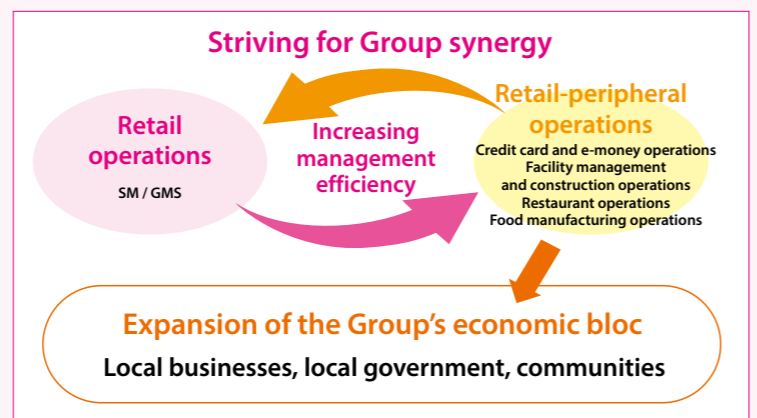


*Izumi Co., Ltd. Managerial Accounting, gross profit per employee (based on Izumi's directly managed sales areas within existing stores)

Strengthening Group Management

Striving for Group synergy

We will pursue Group synergy by improving management efficiency across Group companies. We will centralize management of Izumi's SM operations and SM subsidiaries through organizational reform, and enhance our services from various perspectives, including strategy, products, and means of provision. We will further our move toward working with non-Group companies and other organizations for retail-peripheral operations and expand the "Group's economic bloc."



Expanding our fields of business through M&A

We will leverage M&A and partnerships (business alliances, etc.) from the perspectives of expanding our share in the food products market, accelerating growth, and economic rationality. At the same time as penetrating further into our existing markets, we plan to expand our fields of business while increasing cost-effectiveness through steps such as branching out into new businesses and new business categories.



ESG Strategy

We will focus our efforts on our "Youme MIRAI (future) Declaration," which we aim to fulfill by 2030. We will strengthen corporate governance, engaging with issues such as effective implementation of the Group's internal controls, increasing our number of independent outside directors, and our succession plan (see P27 for details).

- CO₂ emissions cut by **30%** (relative to FY2013)
- Plastic containers and packaging cut by **80%** (relative to FY2018)
- Food waste cut by **50%** (relative to FY2018)
- Food recycling rate **70%**



Our commitments	Details	Contribution to the SDGs
Creating hubs trusted by communities	<ul style="list-style-type: none"> Conclusion, in each region, of Comprehensive Partnership Agreements and agreements for goods supply in the event of disaster Provision of places for customers in the community to come together Collaboration with local bodies in opening new stores and revitalizing communities 	
Actions to mitigate climate change	<ul style="list-style-type: none"> Solar power generation on store roofs, switch to energy-saving equipment Reduction of plastic packaging materials Enhancing of electric vehicle charging facilities 	
Products that are kind to people and planet	<ul style="list-style-type: none"> Limitation of food waste, promotion of food recycling Development and sale of environmentally friendly products New engagement with local producers 	
Building communities that everyone can enjoy	<ul style="list-style-type: none"> Creation of spaces that are comfortable for everyone, from young children to the elderly Participation in planning for food banks Provision of new products and services to the community 	
Creating rewarding workplaces	<ul style="list-style-type: none"> Reduction in total hours worked, support for combining work with childcare and caring responsibilities Promotion of diversity Encouraging promotion of women to managerial positions (20% of total by 2023) 	

Financial Strategy

Financing

While taking precautions against the risk of upheaval in today's uncertain business environment, our five-year investment funds will come from self-financing and interest-bearing liabilities.

Shareholder returns

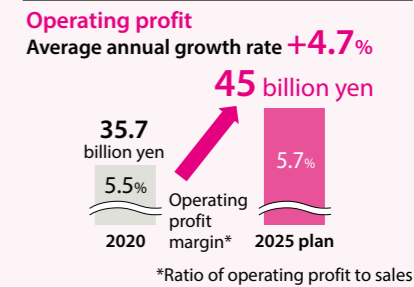
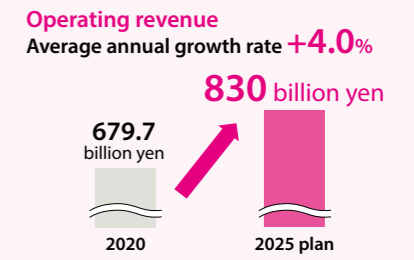
Based on a stable dividend policy, our target dividend payout ratio is 30%. Alongside our aim to achieve a 10% ROE, we will carry out our business sustainably in line with our ESG strategy, and aim to increase MVA.

- We will maintain our **A+** credit rating
- Dividend payout ratio target **30%**

Plan KPIs

		FY2025	Ref.: revenue recognition standard applied*1
Operating revenue	Final year	830 billion yen	—
	Average growth rate	+4.0%	—
Operating profit ratio on sales	Final year	5.7%	8.1%
	Average growth rate	+4.7%	4.7%
Growth KPIs	Operating revenue growth rate	4.0%	—
	Operating profit growth rate	4.7%	4.7%
Efficiency KPIs	ROA (Return on assets)	Final year 8.5%	8.5%
	ROIC*2 (Return on invested capital)	Final year 7.9%	7.9%
	ROE (Return on equity)	Final year 9.4%	9.4%

*1 Reference figures using current numbers, to demonstrate the effects of the ASBJ Statement No. 29 Accounting Standard for Revenue Recognition, coming into effect from FY2022.
*2 {operating profit × (1 - effective tax rate)} ÷ (net interest-bearing liabilities + equity capital)



We will be answering questions from the securities markets.

From January to March 2021, we have compiled questions from securities analysts and fund managers with their purport fully maintained.

Q Regarding the business results for FY2020, explain why you were able to increase profits despite a decrease in sales.

A In FY2020, sales declined due to the state of emergency caused by COVID-19, which made it difficult to attract a large number of customers due to business being curtailed, hours being shortened, and people cutting back on unnecessary trips outside. That being said, profits increased from the previous fiscal year due to the accelerated implementation of structural reforms, including inventory reductions and advertising optimization through the review of TV commercials and flyers. Ever since we began rebuilding our business in the aftermath of the 2008 financial crisis, we have made efforts to improve our business structure. In particular, the promotion of business reforms through DX (Digital Transformation), such as the renewal of core systems, has resulted in the optimization of inventory levels and improvements to work efficiency. We will continue to promote structural reforms by investing the extra time generated by this increased productivity in human resource development and the transmission of higher value-added operations, techniques for preserving freshness, and more to improve our on-site capabilities, increase employee motivation, and reform our work style.



Focusing on improvements to techniques for preserving freshness

Q The Second Medium-Term Management Plan has been announced. What is your policy for opening new stores going forward?

A As of the end of February 2021, Izumi has a total of 194 stores primarily consisting of 65 GMS (shopping centers) and 119 SM (food supermarkets). In our Second Medium-Term Management Plan, SM are positioned as a growth driver for the Group, and we plan to open 31 new stores over the next five years through an investment of approximately 39 billion yen, with M&A

being an option as well. Growth will be driven in particular by a new generation of SM stores serving as hubs for digital commerce that combine the advantages of digitalization—which include apps linked to sales areas, tablet-equipped intelligent carts, use of electronic billboards, and parking lot pickups—with the advantages afforded by physical stores, such as community spaces filled with human warmth and spots where people can gather and relax. By opening new stores, enhancing M&A, and revitalizing existing stores, we hope to increase our share of food sales* in areas where we operate stores from the current level of 8.6% to over 10%. In addition, through a five-year investment of 40 billion yen, we plan to open a total of two new stores in Fukuoka and Nagasaki Prefectures, with the goal of turning GMS into local infrastructure.

*Share of sales including GMS stores from the 2020 Food Supermarket Almanac only for the prefectures where Izumi Group stores are located

Q One of your business strategies for the Second Medium-Term Management Plan is DX. What exactly are you trying to accomplish through DX?

A Through our Second Medium-Term Management Plan, we will invest approximately 20 billion yen in DX over five years to expand sales, enhance productivity, and contribute to local communities. To expand sales, we revamped our store-linked select e-commerce service “Youme Online” last April to accommodate the expansion of the e-commerce market. We also launched the community-based delivery service “Youme Delivery” this June to deepen our market share in our business region. We will strive to enhance convenience in areas where we open stores while growing our customer base. In addition, to respond to consumers’ changing needs, including a shift to digital technology, we will expand the app’s functionality, which will lead to the expansion of new customer bases. By enhancing and developing digital commerce and integrating it with physical stores, we hope to create stores that offer a new purchasing experience that is more convenient than ever before.

In terms of enhancing productivity, we will continue to promote the creation of a comfortable working environment for employees through operational reforms that include revamped ordering and work processes as well as the use of data. Moreover, as a way to contribute to local communities, we will utilize DX while creating a system



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

Brand-new Youme Online shopping site



<https://delivery.youmetown.com>

App download



Youme Delivery available starting June 2021

that anticipates future developments. For example, we will create mobility services by enhancing regional cooperation with local companies, local governments, and communities to prevent people from having a hard time obtaining groceries.

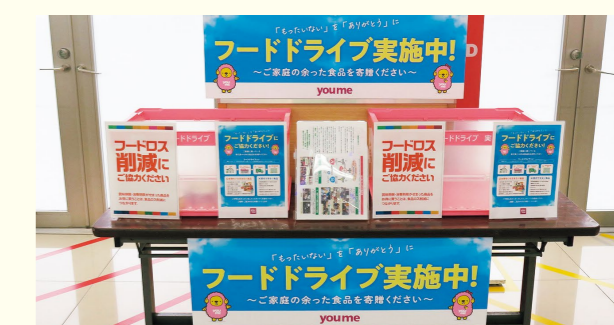
Q Could you tell us more about how digital commerce will develop in the future?

A In FY2020, we began full-scale operations for our existing gift-centric e-commerce business, expanding it to a scale of 1.2 billion yen in annual sales.

Starting in June 2021, we will begin operations for Youme Delivery to develop delivery services focused on fresh food and accelerate digital commerce’s development as an evolved form of e-commerce. Specifically, we provide home delivery of products shipped from the store inventory to customers within 15 minutes of the store, and we are also in the process of developing our own system with logistics companies through BOPIS (Buy Online Pick-up In Store). As we augment BOPIS’s usage ratio through efforts such as our “driving pickup system,” which utilizes parking lots, we will also limit delivery areas to control costs and enhance profitability. In FY2025, we aim to achieve a transaction volume of 30 billion yen, and in the future, we will consider implementing dedicated Youme Online warehouses and Youme Delivery fresh food shipping centers.

Q Tell us about your ESG initiatives.

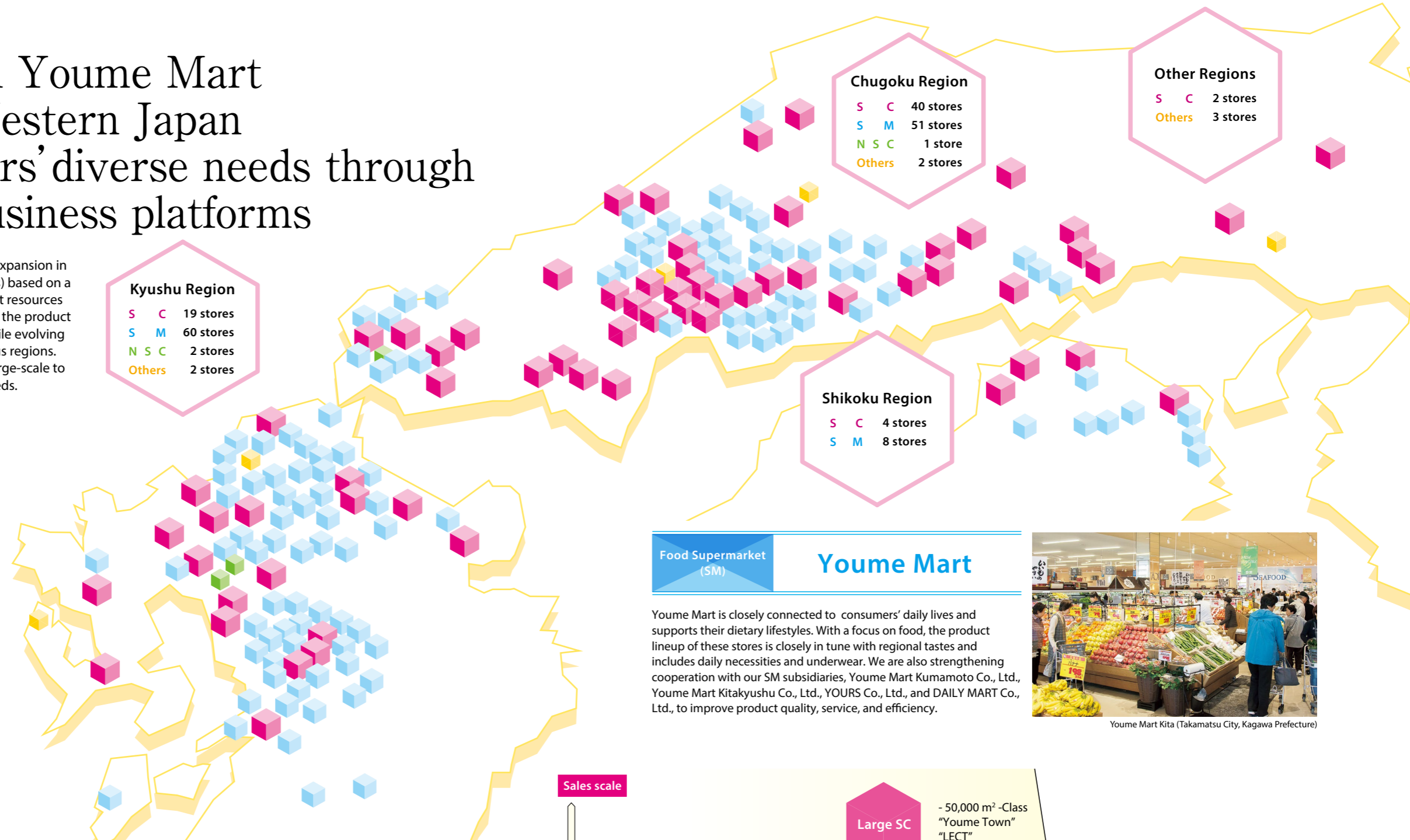
A With regard to ESG, we are rapidly pushing ahead with a number of initiatives through the dedicated department (the SDG Promotion Department) that we newly established in March 2021. On the environmental front, we have set KPIs for CO₂ reduction (virtually zero emissions by 2050), plastic reduction (zero plastic by 2050), food loss reduction (50% reduction by 2030 compared to FY2018), and our food recycling rate (70% by 2030), and we are striving to achieve these goals. On the social front, through store expansion, we are working to evolve the contributions to local communities that we have been making since our founding, all while creating a rewarding workplace for our employees. In terms of governance, to strengthen the foundation for the next phase of our growth, we are enhancing the supervisory function of the Board of Directors and creating transparency in management while simultaneously focusing on the development of the next generation of managers.



Food Drives for reducing food loss

Youme Town and Youme Mart Taking Root in Western Japan Fulfilling customers' diverse needs through our three main business platforms

Izumi has been proceeding with community-based store expansion in western Japan (the Chugoku, Shikoku, and Kyushu regions) based on a strategy of securing dominance by funneling management resources into specific regions. Through this strategy, we have made the product procurement and distribution structure more efficient, while evolving our services in accordance with customers' needs in various regions. We also operate three types of business platforms, from large-scale to small-scale stores, to meet consumers' various lifestyle needs.



Shopping centers (SC) Youme Town

Youme Town is a large commercial facility where children, parents, and grandparents can have a pleasant time together. It combines Izumi's directly managed stores with trendy tenants to provide a variety of products, services, and experiences. Amidst the continuing COVID-19 pandemic, we are working to adapt to the new normal by taking measures such as ensuring social distancing.



Youme Town Saga

LECT, a store that meets consumer needs by providing experiences LECT

Based on the themes of "culture, food, and living," LECT is a store that provides enjoyable experiences that include not only shopping, but also hands-on events. It offers value that can only be experienced at a particular time and place.



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

Neighborhood shopping center (NSC) Youme Mall

With our directly operated Youme Mart supermarket serving as the anchor store, Youme Mall offers home improvement centers, electronics retailers, drug stores, restaurants, and more. With sites that include large parking lots, we are working to create a one-stop shopping environment where consumers can purchase items necessary for their daily lives.



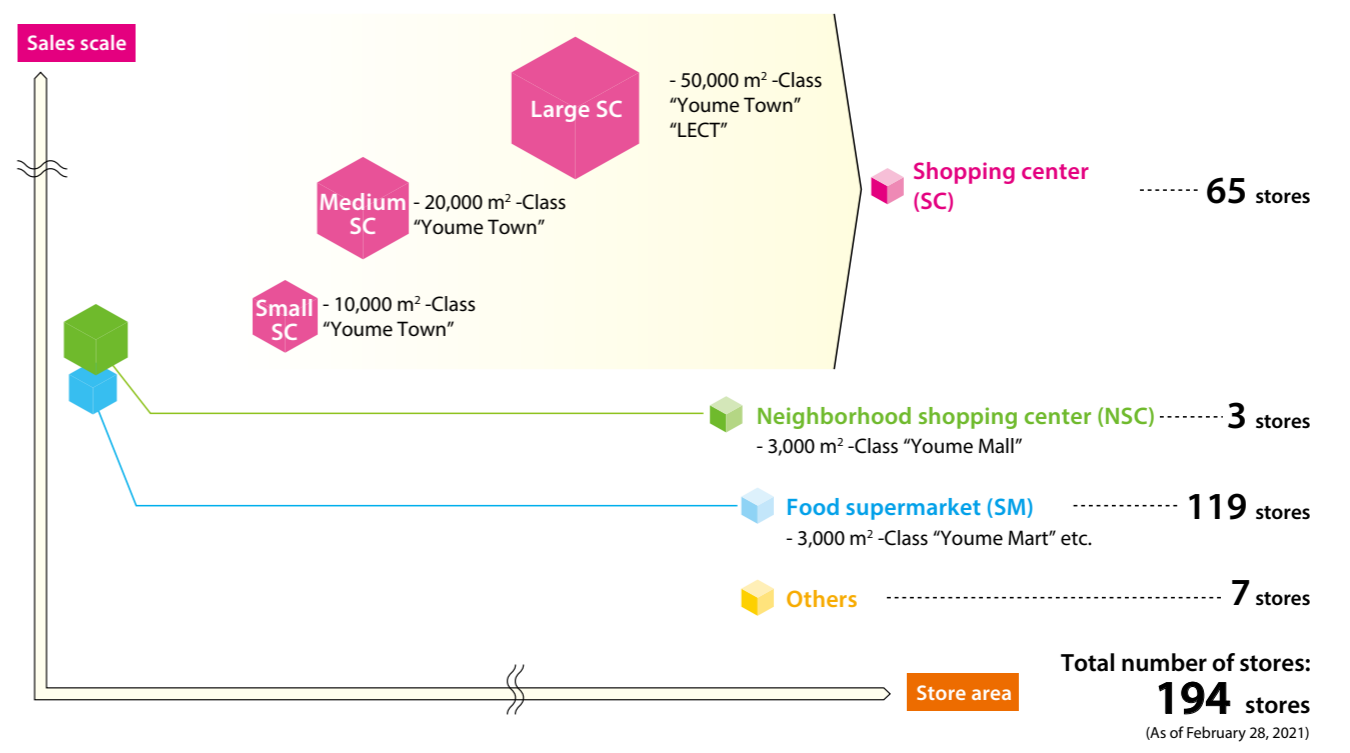
Youme Mall Shimonoseki (Shimonoseki City, Yamaguchi Prefecture)

Food Supermarket (SM) Youme Mart

Youme Mart is closely connected to consumers' daily lives and supports their dietary lifestyles. With a focus on food, the product lineup of these stores is closely in tune with regional tastes and includes daily necessities and underwear. We are also strengthening cooperation with our SM subsidiaries, Youme Mart Kumamoto Co., Ltd., Youme Mart Kitakyushu Co., Ltd., YOURS Co., Ltd., and DAILY MART Co., Ltd., to improve product quality, service, and efficiency.



Youme Mart Kita (Takamatsu City, Kagawa Prefecture)



Operating results by segment for fiscal year ended February 28, 2021



Retail operations

In our mainstay retail business, confronted with the spread of COVID-19, we prioritized the health and safety of local residents and employees above all else and worked diligently to create an environment that allowed people to visit and work at our stores with peace of mind. At the same time, to keep lifelines available to communities, we made efforts to ensure a stable supply of daily necessities and promoted a business continuity plan (BCP). In our main business category, Youme Town, we closed all but a few specialty stores to curtail contact as much as possible during Golden Week holidays. In addition, after the state of emergency was lifted, we gradually eased restrictions and proceeded to adjust to the new normal. To minimize the impact on our business performance, we took early steps to reduce inventory by reviewing our stocking plan while also taking drastic measures to cut costs. The negative impact of the changes in the business environment has been the driving force behind our reforms, which are aimed at creating a more muscular management and cost structure, and we have been working hard to firmly implement and complete these reforms.

Sales trends remained particularly severe due to a decline in consumer confidence after the consumption tax hike the year before last, and moves to avoid unnecessarily leaving homes due to the spread of COVID-19. In early spring, demand linked to celebratory occasions such as entrance and

graduation ceremonies disappeared. In our large-scale shopping center business, Youme Town experienced a significant decline in sales resulting from a decrease in customers from a wide area. In the summer, while the government's special cash payments provided a boost, demand for Bon Festival products and travel-related products decreased. Under such circumstances, consumers have become increasingly conscious about quickly finishing their shopping at nearby stores, and there has been a rise in stay-at-home consumption, especially for long-lasting foods and daily necessities. The company and its subsidiary Youme Mart Food Supermarkets (SM), among other stores, worked hard to secure product lines and hygiene-related products to meet consumer needs and offered up to 1,800 items at "lifestyle support prices." From the start of autumn onward, sales of fresh foods and prepared foods remained strong due to the desire to stay at home, and progress could also be observed in the practical clothing area. In terms of pre-orders of year-end products, such as New Year foods, the company attempted to boost sales by focusing on online pre-orders. Moreover, restaurant tenants, who continued to face difficult conditions, showed signs of a gradual recovery thanks to enhanced measures for preventing infections, such as the installation of splash-proof acrylic panels. During the year-end and New Year holidays, the company struggled due to people deciding not to return home as well as the arrival of cold weather, but it responded to this situation by taking advantage of strong stay-at-home demand, which focused on single-serve

packaged goods, small treats, and fresh foods. That being said, sales declined overall due to the prolonged trend of customers refraining from unnecessary visits to large stores and their desire to save money. This resulted in the company's existing store sales for the current fiscal year decreasing by 10.3% compared to the previous fiscal year.

On the subject of costs, we made efforts to revise our profit structure, bearing in mind the prospect of shrinking demand due to COVID-19. In particular, we reviewed our purchasing plans, for apparel in particular, and reduced inventories to avoid large inventory losses. To optimize advertising costs, we reviewed what flyers and point programs were targeting and lowered total costs without reducing sales promotion efficiency, allowing us to turn a profit.

As a result, the operating revenue for this segment was 659.977 billion yen (down 8.7% year on year), while operating profit increased to 31.217 billion yen (up 17.3% year on year).

Retail-peripheral operations

In our retail-peripheral operations, You-me Card Co., Ltd. increased its profits by acquiring new credit card users as well as users for its digital currency "Yumeca (e-money)," and more external affiliated stores began accepting these as well. While this led to the number of Youme Cards issued rising from 8.11 million at the end of previous year to 8.52 million at the end of this fiscal year, the COVID-19 pandemic led to a decrease in cashless transactions. In its food and beverage business, Izumi Food Service Co., Ltd. saw a boost

from demand for take-out and collaborative products in the doughnut business as people continued to refrain from going out, but this was not enough to offset the decrease in customers in the restaurant sector. Our facility management business, Izumi Techno Co., Ltd., suffered a loss in profit opportunities due to the shuttering of facilities in its designated management operations of public facilities and so on. Our food manufacturing company, Youme Delica Co., Ltd., launched operations at its new prepared foods plant, Youme Delica Headquarters, Fukawa Plant No. 2. The introduction of HACCP-compliant facilities with cutting-edge technology will enable an enhanced supply system and the provision of fresher products. As we contribute to the future expansion of the store network and low-cost operations, we will also address issues such as safety in our product and manufacturing processes and employment and labor-related issues.

Ultimately, the operating revenue for the segment was 94.786 billion yen (down 0.2% year on year), and operating profit came in at 3.458 billion yen (down 20.5% year on year).

Other

In our wholesale business, profit levels improved primarily due to strong mask sales. Our real estate leasing business recorded stable rental income as well.

As a result, operating revenue for the segment was 5.297 billion yen (up 0.6% year on year), while operating profit was 1.172 billion yen (up 10.2% year on year).

Retail-peripheral Operations

Strong support by subsidiaries for store operations, contributing to profits as well

Credit card operations	Facility management, construction, designated management operation	Restaurant operations
YOU-ME CARD CO., LTD.	IZUMI TECHNO Co., Ltd.	IZUMI FOOD SERVICE CO., LTD.
We have made great strides in our credit card business (Youme Card) and e-money business (Yumeca). We are involved in a wide range of businesses, including the travel and life insurance agent businesses. We are working to promote the provision of cashless services by offering e-money systems for sale outside the Izumi Group.	We maintain comfort and safety in our stores through facility management, construction, cleaning, and security. We are displaying our strength when it comes to construction for revitalizing existing stores as well. Using the know-how we have accumulated, we are also involved in designated management of museums, sports centers, cultural centers, and other facilities throughout western Japan.	We manage a variety of food and beverage businesses, with a focus on food courts in Izumi stores. In addition to directly managed restaurants serving food such as okonomiyaki, takoyaki, and Italian dishes, we are also engaged in the management of franchise restaurants that offer ice cream, Chinese food, hamburgers, and more, providing an enjoyable experience.

A New YOUME DELICA CO., LTD. Plant for Prepared Food Production

YOUME DELICA CO., LTD. produces prepared foods for Izumi Group's retail stores. The new Fukawa No. 2 Plant (Asakita-ku, Hiroshima City) was completed on October 8, 2020. We are expanding our production capacity to produce a wide variety of prepared foods that meet consumer needs. In addition, we will ensure both good taste and safety by providing a more hygienic environment that complies with HACCP, the international standard for food sanitation management.



	Operating revenue			Operating profit		
	Year ended Feb. 28, 2021			Year ended Feb. 28, 2021		
	Result	Breakdown	YoY	Result	Breakdown	YoY
Retail operations	659,977	97.1%	91.3%	31,217	87.2%	117.3%
Retail-peripheral operations	94,786	13.9%	99.8%	3,458	9.7%	79.5%
Others/Adjustment	(74,986)	(11.0%)	—	1,105	3.1%	—
Consolidated total	679,778	100.0%	91.3%	35,781	100.0%	112.2%

ESG Management

The Izumi Group is promoting management with an emphasis on enhancing the environment (E), society (S), and governance (G) to become a company that is trusted by all stakeholders. With the "Youme MIRAI (Future) Declaration" we announced in 2020 serving as the foundation, we are striving to achieve these SDGs as well. We will continue our efforts to become a sustainable company with sustainable stores.

you me MIRAI Declaration

Shopping × MIRAI
We will make a more convenient and comfortable shopping style a reality by taking advantage of digital technologies that include e-commerce sites and applications.

Creating Stores × MIRAI
We will create spaces with a sense of openness and proximity to nature in response to the new normal.

Community × MIRAI
We will evolve our stores into bases that preserve lifelines and foster a lively atmosphere. We will also enhance support for the elderly.

Toward a sustainable MIRAI
We will give due attention to environmental conservation and diversity to contribute to the achievement of the 17 SDGs.



- Indicators related to ESG**
- Targets to be achieved by 2030**
 - Reduce CO₂ emissions by 30% (compared to FY2013)
 - Reduce plastic packaging materials by 80% (compared to FY2018)
 - Reduce food loss by 50% (compared to FY2018) and recycle 70% of food
 - Targets to be achieved by 2023**
 - Raise ratio of female managers to 20%

Establishment of SDG Promotion Section

The SDG Promotion Section was newly established as part of the reorganization that took place in March 2021. This is our first department that specializes in social contributions. Its staff members create specific plans based on the Youme MIRAI Declaration to promote SDG initiatives throughout the Izumi Group. They are also in charge of coordinating with other departments to ensure smooth implementation of the plans.

Handbook distribution

In May 2021, we published a handbook entitled "Youme MIRAI Action" that summarizes our future initiatives based on the theme of "a future lifestyle filled with endless smiles" to raise awareness of SDGs within our company.



Publication of Environmental Sustainability Report

Each year, we publish an Environmental Sustainability Report that summarizes the activities of the Izumi Group related to ESG. The report is also available on our website so that it can be viewed by as many people as possible.



Cooperating with local communities and customers to reduce environmental impact

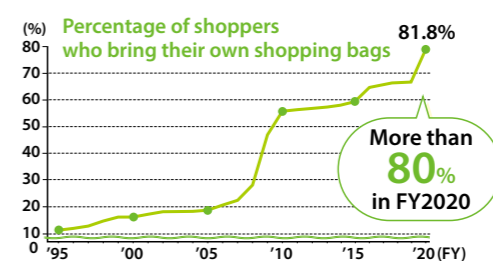
Two initiatives for promoting reductions in food loss

The "Food Drive" is an initiative in which people bring in extra food from their homes and donate it to groups that need it, such as welfare organizations and facilities. At Izumi, collection boxes were set up at all 37 Youme Mart stores starting April 2021. The food we collect will be donated through local food bank organizations. In addition, Youme Mart Yahata, Nishisakae, and Yagi have launched the "Mogumogu Challenge." Under this system, customers can enjoy contributing to reductions in food loss and win prizes by collecting 10 stickers attached to products whose expiration date is approaching.



End of free plastic bag distribution in 2020

Since 1997, Izumi has been collaborating with local governments and citizen groups to encourage people to bring their own shopping bags. As a result of their efforts, the percentage of shoppers who brought their own shopping bags was over 80% in FY2020. Starting July 1, 2020, we ended free distribution of plastic bags and began providing plastic bags made from 25% biomass materials for a fee.



"Yumeca Plan" utilizing surplus electricity from residential solar power systems

In collaboration with The Chugoku Electric Power Co., Inc., we launched a new service in 2019 called the Yumeca Plan to support a system for purchasing surplus electricity (Feed-in Tariff [FIT]) generated by residential solar power systems. This service consists of The Chugoku Electric Power purchasing surplus electricity from residential homes as carbon-free environmental value, which is then used for Izumi stores to reduce CO₂ emissions.



Solar power systems installed on store roofs

Youme Town Hatsukaichi is the first Izumi location to install a rooftop solar panel system to promote the use of renewable energy. We installed a 350kW solar panel system over approximately 2,900 m², which generates enough power to operate a small-scale supermarket. It has proven effective in reducing CO₂ emissions.



Turning food waste into fertilizer and fuel

We thoroughly separate and manage food waste produced by stores, such as fish offal and waste oil, in order to recycle it. Waste oil is recycled and used as animal feed and biodiesel fuel. Other food wastes are turned into fertilizer by companies who specialize in this area. We succeeded in recycling 40.6% (3,065t) of food waste in FY2020 and made effective use of it as a resource.



Promoting recycling activities at stores

We have established "Ecoste" wastepaper collection sites in 72 stores parking lots. Points are awarded based on the amount of wastepaper turned in, and these points can be used when shopping. We have also set up recycling receptacles for milk cartons, food trays, and more at all of our stores.





Emphasizing social contributions: Creating comfortable communities

Preventing the spread of COVID-19

Throughout the COVID-19 pandemic, the Izumi Group worked to maintain lifelines while placing the highest priority on the safety and security of its customers and employees.

[For our customers]

We installed transparent acrylic panels to block droplets and worked to improve store ventilation and disinfection. We also closed specialty stores and reduced business hours in accordance with government closure requests. Moreover, we asked our customers to practice social distancing, wear masks, and disinfect their hands to promote safe store operations.

[For our employees]

At the head office, we promoted telework to reduce the number of employees coming to work by 50%. In the company cafeteria and offices, the distance between seats was increased to prevent crowding and close contact. Employees were provided with masks and gift certificates in a show of appreciation for their efforts in preventing infections.

[For the community]

Through an agreement with Hiroshima University, Izumi will deliver daily necessities to the homes of students and staff staying at home in the event of a cluster outbreak at the university. Moreover, in collaboration with the government, we are offering Youme Town facilities as COVID-19 vaccination sites starting May 2021.



Acrylic panels installed at cash registers



President Ochi of Hiroshima University (left) and President Yamanishi



Vaccination site at Youme Town Hamasen

Raising the ratio of female managers to 20% or more

Izumi has implemented a licensing system to promote highly capable and motivated employees to managerial positions. The company is also committed to supporting women's career development, and launched the "Youme Can Project" (a project promoting the advancement of women) in 2014. We have implemented female leadership development training to help women to hone their management skills.



Female leadership development training

Infertility treatment leave system to prevent career interruption

In February 2021, we established a new system for infertility treatment leave for female employees who find it difficult to undergo treatment while working. They can take a leave of absence of up to one year, to prevent the need to resign or interrupt their careers.

Taking part in shopping support demonstration experiment

Since February 2021, we have been collaborating with Higashi-Hiroshima City, Hiroshima University, and MONET Technologies, Inc. on a project for practical applications of "Autono-MaaS," * which will achieve retail MaaS in self-driving cars. A demonstration experiment is currently underway to provide a shuttle service from designated locations to the Youme Town Gakuenten, as well as a service in which phone-order products are delivered at designated times and locations. We will continue to strive to provide new services to support local customers' shopping needs.

*A term coined by Toyota Motor Corporation to describe mobility services that utilize automated vehicles in a fusion of "autonomous vehicle" and "MaaS."



Experimental vehicle driving on Hiroshima University's campus

Recovery funds provided to seven cities and villages for July 2020 heavy rains

Many areas in western Japan suffered significant damage due to heavy rains in July 2020. To support the areas affected by the disaster, the Izumi Group conducted fundraising at its stores from July 9 to 31, 2020 and provided 5,976,039 yen in donations to the Japanese Red Cross Society. In addition, Izumi donated 60 million yen to seven cities and villages to help them make a swift recovery.



Mayor Hayato Matsuoka of Hitoyoshi City (right) and President Masamichi Yamano of Youme Mart Kumamoto

Izumi Maple Reds make great strides

The Izumi Maple Reds, a women's team belonging to the Japanese Handball League, is Izumi's corporate team. All players are employed within the Izumi Group. Players who participate actively in both their work and sports serve as a model for all employees. In the 2020-21 season, the team advanced to the playoffs and finished in 3rd place.



Players giving their all



Governance
(Corporate Governance)

Creating an organization that is highly transparent in all aspects

Izumi University established to cultivate management

In July 2021, we established Izumi University to develop personnel within the company who will shoulder management in the future. As part of the Izumi Group's third growth phase, the purpose of this program is to cultivate leaders who embody the dreams, management philosophy, DNA, and action guidelines of the Izumi Group, and in doing so, support the achievement of our management vision. This system consists of a two-year program that systematically develops human resources who can enhance their basic knowledge as management executives and pursue cross-departmental collaboration. Participants will be selected from the following job levels: section managers, store managers, department managers, general managers, and executive officers.



Group work in session

Appointing female officers from outside the company

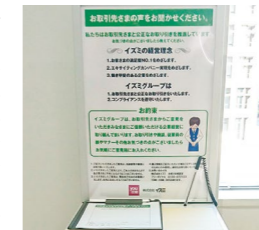
To enhance governance and promote diversity, Izumi is making active efforts to promote the appointment of female executives. In 2021, Naomi Aoyama of Stylebis Ltd., who possesses a wealth of experience in marketing from a consumer perspective, was appointed as an independent outside director. Her areas of expertise include (1) introducing and popularizing e-commerce from a customer perspective, (2) designing communication between companies and consumers and utilizing social media, and (3) promoting women's active participation in the workplace. Within our medium-term management plan, which aims for the sustainable enhancement of corporate value, we would like her to reflect her advanced and plentiful knowledge and experience, particularly in areas such as expansion strategies for digital investment and measures for promoting women's participation in personnel development, in our company management. She has been appointed as an outside director based on the determination that she is qualified to supervise the company's business activities. In addition, Tomoko Horikawa, a certified public accountant and company manager of Chugoku Mokuzai Co., Ltd. was appointed as an external auditor in 2020 and has been serving since. She has been appointed as an external auditor due to her advanced insight as a company manager and accounting expert.

Introducing a restricted share-based remuneration plan

In May 2021, we reviewed our executive compensation system, abolished the retirement bonus system, and implemented a restricted share-based remuneration plan. This system, which was previously available to directors, was extended to executive officers as well to provide an incentive for directors (with the exception of outside directors) and executive officers to pursue sustainable enhancement of the company's corporate value, as well as to promote increased sharing of value with shareholders.

Promoting fair trade with business partners

At Izumi, we believe it is vital that our relationships with our suppliers be on equal footing. The head office provides forms and suggestion boxes for suppliers so that they can give us their honest feedback. To ensure compliance with the Antitrust Act, the Subcontract Act, and other laws and regulations, we also hold study sessions on fair trade for relevant personnel to promote fair trade practices.



Suggestion box for business partners

Preserving food safety and promoting employee awareness

All stores have food quality checkers who have learned how to perform hygiene surveys from outside organizations. We check quality and freshness along with production site labeling twice a day. Label study sessions for managers are held periodically. Quality meetings are held at stores as well to increase employee awareness across the organization and preserve food safety.

Corporate Governance

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 (three of whom are outside directors) with term limits of two years in order to maintain transparency in the execution of business and to clarify where management responsibilities lie. As a rule, the Board of Directors meeting is held once a month for a full discussion and supervision of the performance of duties by the director. From the eight directors, one President and Representative Director is selected and twelve executive officers (not including the directors) are elected for the execution of business.

Chair and Members of the Board of Directors

Chair: Yasuaki Yamanishi (President and Representative Director)

Members: Yuichiro Kajihara (Director and Senior Managing Executive Officer and GMS Division Manager), Tatsuya Mikamoto (Director and Senior Managing Executive Officer and Administration Division Manager), Hiroshi Kuromoto (Director and Development Division Manager), Shigeaki Machida (Director and Corporate Planning Department Manager), Akio Nitōri (Outside Director), Kunihiko Yoneda (Outside Director), Naomi Aoyama (Outside Director)

A management meeting comprised of five directors (not including three 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 Group companies are summoned to a monthly Results Brainstorming Meeting for the review of their business conditions, and Group companies' business results, financial situations and other important information must be shared between the President and Group company Presidents once every three months. In addition, we operate a mandatory system whereby our Group Management Division Manager and Group company Presidents consult on measures to address management issues on a monthly basis.

Chair and Members of the Management Meeting

Chair: Yasuaki Yamanishi (President and Representative Director)

Members: Yuichiro Kajihara (Director and Senior Managing Executive

Officer and GMS Division Manager), Tatsuya Mikamoto (Director and Senior Managing Executive Officer and Administration Division Manager), Hiroshi Kuromoto (Director and Development Division Manager), Shigeaki Machida (Director and Corporate Planning Department Manager)

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.

Chair and Members of the Audit & Supervisory Board

Chair: Masami Kawanishi (Full-time Audit & Supervisory Board Member)

Members: Tomoko Horikawa (Outside Auditor), Hirotaka Okada (Outside Auditor)

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.

Chair and Members of the Voluntary Appointment/Remuneration Committee

Chair: Yasuaki Yamanishi (President and Representative Director)

Members: Yuichiro Kajihara (Director and Senior Managing Executive Officer and GMS Division Manager), Tatsuya Mikamoto (Director and Senior Managing Executive Officer and Administration Division Manager), Akio Nitōri (Outside Director), Kunihiko Yoneda (Outside Director), Naomi Aoyama (Outside Director)

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

Reasons for Adoption of the Above System

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 for a total of three members. As a rule, the Audit & Supervisory Board meeting is held once a month. The full-time Audit & Supervisory Board member has held senior positions in the Finance, Accounting, and Corporate Administration Departments within Izumi and Izumi Group companies and possesses extensive experience and professional expertise relating to finance, accounting, internal controls, and corporate governance. The Board's two external statutory auditors 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 other positions as well).

The Company's internal audit function is bolstered by an Internal Audit Section, which is staffed by nine people and operates from within the Corporate Administration 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 is decided by the Board of Directors, based on the deliberation and reporting of the Appointment/Remuneration Committee (whose members include the company's independent outside directors), within the limit resolved by the General Meeting of Shareholders. Directors' remuneration follows a structure of basic remuneration (fixed remuneration), performance-based remuneration (end-of-year bonuses), and non-financial compensation (stock compensation), in accordance with the Company's decision-making policy (decided by the Board of Directors) relating to the content of remuneration and compensation packages for individual directors. Details are as set out in Corporate Governance Code Principle 3.1 Full Disclosure (iii): Policy and procedure to be referred to by the Board of Directors when deciding remuneration for upper management and directors.

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 Directors 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. No shares were selected for sell-off in FY2020.

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 has revised its corporate philosophy in a spirit of growth, and sets out a new management philosophy of "filling our employees with pride and joy as we continue contributing to communities and our customers' lives." At the heart of this philosophy are our goals to become a company that always provides peace of mind, an enjoyable experience, and a personal touch, continuing our progress together with the communities around us, and to support our employees to achieve personal development through exercising their own individuality while continuing to connect with local communities.

Meanwhile, our 2030 Long-Term Vision takes up the challenges of expanding our network to 300 stores (with a focus on the regions of Chugoku, Shikoku, and Kyushu) and of co-creation together with communities full of dreams (Youme). In addition, the Company announced its Medium-Term Management Plan (FY2021 to FY2025) on April 13, 2021. After initial, partial revisions to our previously released Medium-Term Management Plan, we extensively reworked this prior Plan to create a new five-year Second Medium-Term Management Plan. For further details, please see Medium-Term Management Plan (April 13, 2021), published on the Company website.

Medium-Term Management Plan

https://www.izumi.co.jp/corp/ir/pdf/2021/0413news_01.pdf

(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.

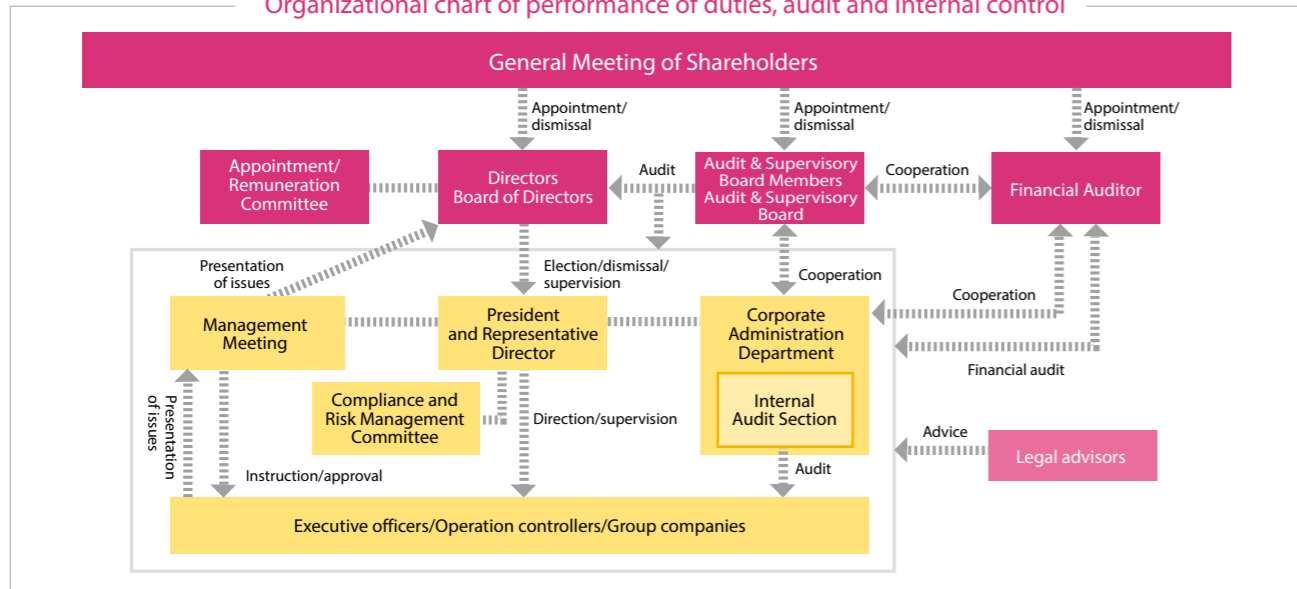
(iii) Policy and procedure for the Board of Directors to refer to decide on remuneration for upper management and directors

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). The enactment on March 1, 2021 of the Act Partially Amending the Companies Act (Act No. 70 of 2019) required the determining of a decision-making policy relating to remuneration packages for individual directors as based on the resolution of the General Meeting of Shareholders, which was therefore decided as follows at the meeting of the Board of Directors held on February 9, 2021. Remuneration packages for individual executive officers not acting as directors are set in the same way.

1. Basic Policy

Directors' remuneration at Izumi is linked to shareholder returns, such that it provides ample incentive to work toward sustainable improvement of corporate value, and it is our basic policy when deciding the remuneration packages of individual directors to set reasonable levels that take into account all of their working responsibilities. Specifically, remuneration of directors tasked with the execution of business comprises basic remuneration in the form of fixed remuneration, performance-based remuneration

Organizational chart of performance of duties, audit and internal control



Corporate Governance

(end-of-year bonuses), and non-financial compensation (stock compensation), while outside directors in supervisory roles and members of the Audit & Supervisory Board receive only basic remuneration that reflects their duties. The Company's 60th Annual General Meeting of Shareholders, held on May 26, 2021, approved and resolved the adoption of a remuneration system allowing the granting of restricted stock to directors (excluding outside directors) as non-financial compensation (stock compensation), within the aforementioned limit for directors' remuneration. The Meeting also approved and resolved the termination of the executive retirement benefits system and a final retirement benefits payment accompanying this termination.

2. Policy relating to the setting of individual directors' basic remuneration (fixed remuneration), including policy relating to scheduling of remuneration and compensation and the setting of conditions

The Company's basic remuneration for directors comprises a monthly fixed remuneration, set in consideration of a comprehensive range of factors, including position, working responsibilities, and the Company's financial situation.

3. Policy relating to the setting of a calculation method for the content and amount/share number of performance-based remuneration and non-financial compensation, including policy relating to scheduling of remuneration and compensation and the setting of conditions

(1) Performance-based remuneration is a cash remuneration that reflects key performance indicators (KPIs) in the aim of increasing awareness of each fiscal year's performance improvements, and comprises a sum calculated on the basis of individual evaluation and the degree to which target figures for ordinary profit and other metrics in each fiscal year are met, awarded each year as an end-of-year bonus during a fixed period following the end of the fiscal year in question. Target KPIs and their figures are set in the planning stage, in conformity with the Company's Medium-Term Management Plan, and are reviewed if necessary to adapt to changes in circumstances with consideration of the reporting of the Appointment/Remuneration Committee.

(2) Non-financial compensation, in addition to providing an incentive to work toward sustainable improvement of corporate value, aims to promote a greater sense of sharing value with shareholders, and comprises stock compensation awarded each year during a fixed period and using restricted stock with a transfer restriction period operative until the date upon which the director ceases to hold his or her position, as determined by the Company's directors and other members of the Board of Directors. The number of shares allotted to an individual director is determined by multiplying a standard level of stock compensation (calculated by multiplying the sum of the individual director's fixed remuneration by a coefficient determined by his or her position) by a coefficient (0.90 to 1.10) expressing the degree to which the Company's performance targets were met, which sum is divided by the share value at the time of allocation. The total value of non-financial compensation by a restricted share-based remuneration plan will be set within the aforementioned limit for directors' remuneration and an annual limit of 100 million yen, while the maximum number of the Company's common shares that may be issued or transferred to the director is set at 50,000 shares per annum.

4. Policy relating to the setting of amounts for basic remuneration, performance-based remuneration, and non-financial compensation, respectively, as relative to individual directors' total remuneration and compensation

Remuneration mixes by category of remuneration for directors tasked with the execution of business are deliberated by the Appointment/Remuneration Committee, with reference to the conditions of local businesses and businesses operating on a similar scale to the Company and in related industry sectors or business categories. The Board of Directors sets a remuneration mix that allows incentives to function appropriately, with due consideration of the reporting of the Appointment/Remuneration Committee. The standard ratio of the remuneration and compensation categories of basic remuneration, performance-based remuneration, and non-financial compensation is 60:25:15, respectively (assuming 100% achievement of KPIs).

5. Matters relating to decisions regarding the content of individual directors' remuneration and compensation packages

Individual directors' remuneration is deliberated and decided on by the Board of Directors following deliberation by the Appointment/Remuneration Committee and submission of a report by this Committee to the Board. The Appointment/Remuneration Committee has six members, comprising three inside directors and three outside directors, and is chaired by the President and Representative Director. This Committee passes resolutions on the amount of basic remuneration that will be

received by each director, the allocation of evaluations for year-end bonuses (based on performance of operations for which the director is responsible) and the number of shares to be allotted to each director. These resolutions are reported to the Board of Directors, which determines the amount of remuneration and compensation to be received by each director after careful consideration of this report.

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

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

Three independent outside directors have been appointed in order to ensure the transparency of management and strengthen the oversight function. The appointment of three independent outside directors of a total of eight directors brings the proportion of independent outside directors serving on the Board of Directors to over one third.

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 three 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

July 2020: Implementation of a questionnaire to evaluate the effectiveness of the board of directors

August 2020: Report on the results of the questionnaire and sharing of issues with the Board of Directors

September to December 2020: Discussions on issues at meeting of 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 maintains an effective decision-making process. On the other hand, there were also points that should be recognized as important issues that should be discussed in the future, particularly the Board of Directors' management methods (including increasing opportunities

for the discussion of management strategies and similar issues), increasing the number of outside directors, the promotion of female directors, the Company's development plan for successors, restructuring our Medium-Term Management Plan, reform of the Company's executive remuneration system (including medium- to long-term performance-based remuneration), and the composition of the Appointment/Remuneration Committee.

(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, the Company's inside directors work constantly to further their knowledge, through discussions with business people outside the Company, participation in seminars on subjects such as chain-store management theory, and similar activities, adding online seminars to their rosters with the spread of COVID-19.

For outside directors, we provide explanations on the Group's business-es and issues, and offer opportunities for training by external institutions on the roles and responsibilities generally required in society for outside directors. Furthermore, with the addition of online seminars as COVID-19 outbreaks continue, outside directors work to grasp the latest industry trends, and use observational visits to our subsidiary's new delicatessen plant and our stores and distribution centers, alongside open discussion with people in senior positions on-site, to work toward an understanding of in-practice management conditions and further deepen their insight.

Utilizing online seminars as COVID-19 continues to spread, the Audit & Supervisory Board's standing statutory auditor attends training events organized by the Japan Audit & Supervisory Board Members Association and external accounting auditors, and shares information learned at these events with the other members of the Board. Further, all members of the Board work toward an understanding of in-practice management conditions and further deepen their insight through witnessing audits carried out by accounting auditors in our stores and distribution centers, observational visits to our subsidiary's new delicatessen plant, and open discussion with people in senior positions on-site.

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.

■ IR is overseen by the Corporate Planning 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" of this 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.

Directors

(As of May 26, 2021)

Yasuaki Yamanishi

President and Representative Director

December 1977 Joined the Company
 May 1981 Director of the Company
 May 1982 Managing Director of the Company
 April 1984 Senior Managing Director of the Company
 May 1988 Representative Senior Managing Director of the Company
 May 1991 Deputy President and Representative Director of the Company
 March 1993 President and Representative Director of the Company (current position)

Reasons for Appointment as a Director

Yasuaki Yamanishi has conducted important operations and decision-making on management as President and Representative Director. The Company judged that he can fulfill his role of supervising key management decisions and the execution of business for the Company's sustainable growth and the increase of medium- to long-term corporate value as he has extensive experience, proven results and wide-ranging insight related to management in general. Therefore, the Company appointed him as Director.

Tatsuya Mikamoto

Director and Senior Managing Executive Officer

April 1981 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
 April 2010 Director and Head of the Fukuoka Corporate Finance Department of Sumitomo Mitsui Banking Corporation
 April 2012 Director and Head of the Kyushu Corporate Finance Division of Sumitomo Mitsui Banking Corporation
 May 2013 Senior Managing Director and Administration Division Manager of the Company
 July 2014 Senior Managing Director, Administration Division Manager and Group Administrative Controller of the Company
 January 2019 Senior Managing Director, Administration Division and Group Management Division Manager of the Company
 July 2020 Senior Managing Director and Administration Division Manager of the Company
 March 2021 Director and Senior Managing Executive Officer and Administration Division Manager of the Company (current position)

Reasons for Appointment as a Director

Tatsuya Mikamoto has conducted important operations and decision-making on management as Administration Division Manager. The Company judged that he can fulfill his role of supervising key management decisions and the execution of business for the Company's sustainable growth and the increase of medium- to long-term corporate value as he has extensive experience, proven results and wide-ranging insight in administration division. Therefore, the Company appointed him as Director.

Shigeki Machida

Director

April 1991 Joined the Company
 August 2009 Store Manager of the Company's Yatsushiro store
 March 2010 Section Manager of Hiroshima South and Shikoku zone of the Company
 August 2010 Household Goods Department Manager of the Company
 June 2013 Executive Officer and Department Manager of Kyushu zone of the Company
 February 2014 Executive Officer and Clothing Business Department Manager of the Company
 April 2020 Senior Executive Officer and Clothing Business Department Manager of the Company
 November 2020 Senior Executive Officer and Corporate Planning Department Manager of the Company
 May 2021 Director and Corporate Planning Department Manager of the Company (current position)

Reasons for Appointment as a Director

Shigeki Machida has conducted important operations and decision-making on management as Corporate Planning Department Manager. The Company judged that he can fulfill his role of supervising key management decisions and the execution of business for the Company's sustainable growth and the increase of medium- to long-term corporate value as he has the ability to administer important projects including the formulation of our Medium-Term Management Plan, as well as extensive experience, proven results and wide-ranging insight in sales division. Therefore, the Company appointed him as Director.

Yuichiro Kajihara

Director and Senior Managing Executive Officer

March 1987 Joined the Company
 February 2006 Executive Officer and Sales Department Manager of the Kyushu zone of the Company
 May 2007 Director and Sales Department Manager of the Kyushu zone of the Company
 March 2010 Managing Director and Sales Department Manager of the Kyushu zone of the Company
 May 2013 Senior Managing Director and Marketing Division Manager of the Company
 March 2016 Senior Managing Director and Sales Division Manager of the Company
 March 2021 Director and Senior Managing Executive Officer and GMS Division Manager of the Company (current position)

Reasons for Appointment as a Director

Yuichiro Kajihara has conducted important operations and decision-making on management as Sales Division Manager. The Company judged that he can fulfill his role of supervising key management decisions and the execution of business for promoting GMS reform, a pillar of the Company's growth, through organizational reform in FY2021 as well as the Company's sustainable growth and the increase of medium- to long-term corporate value as he has extensive experience, proven results and wide-ranging insight in sales division. Therefore, the Company appointed him as Director.

Hiroshi Kuromoto

Director

April 1982 Joined the Company
 August 2003 Department Manager of the Tenant Administration Department of the Company
 January 2009 Executive Officer and Development Division Manager of the Company
 May 2020 Director and Development Division Manager of the Company (current position)

Reasons for Appointment as a Director

Hiroshi Kuromoto has conducted important operations and decision-making on management as Development Division Manager. The Company judged that he can fulfill his role of supervising key management decisions and the execution of business for the Company's sustainable growth and the increase of medium- to long-term corporate value as he has extensive experience, proven results and wide-ranging insight in development division. Therefore, the Company appointed him as Director.

Akio Nitōri

Director

March 1972 Founded NITORI Furniture Wholesale Center Co., Ltd. (currently Nitōri Holdings Co., Ltd.), Senior Managing Director
 May 1978 Representative Director & President of NITORI Furniture Wholesale Center Co., Ltd.
 May 2014 Representative Director & Chairperson of Nitōri Co., Ltd. (current position)
 February 2016 Representative Director & Chairperson (CEO) of Nitōri Holdings Co., Ltd. (current position)
 May 2016 Outside Director of KOHNAN SHOJI CO., LTD. (current position)
 May 2017 Director & Senior Advisor of Home Logistics Co., Ltd. (current position)
 Outside Director of the Company (current position)

Reasons for Appointment as an Outside Director

As Representative Director & Chairperson (CEO) of Nitōri Group's Nitōri Holdings Co., Ltd., Japan's top manufacturer, distribution and retailer of furniture and interior goods, Akio Nitōri has extensive experience, proven results and wide-ranging insight related to corporate management. The Company judged that he can bring an objective viewpoint independent of the management team that executes business and make a large contribution to the running of the Company. Therefore, the Company appointed him as Outside Director. In addition, he was appointed as Independent Officer as it was determined that there would be no conflict of interest with general shareholders in carrying out his duties as Outside Director.

Kunihiko Yoneda

Director

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

Reasons for Appointment as an Outside Director

As a university professor specializing in business administration, Kunihiko Yoneda has wide-ranging knowledge and high-level insight in corporate management. The Company judged that he can bring an objective viewpoint independent of the management team that executes business and make a large contribution to the running of the Company. Therefore, the Company appointed him as Outside Director. He has never been directly involved in the management of a company; however, the Company judged that he would appropriately fulfill his duties as an Outside Director responsible for the supervisory function from the perspective of business administration, which includes corporate governance, for the above reasons. In addition, he was appointed as an Independent Officer as it was determined that there would be no conflict of interest with general shareholders.

Naomi Aoyama

Director

April 1989 Joined Toshiba Corporation
 April 2000 Joined eLife Inc., General Manager of New Business Development Department
 June 2004 Established Stylebis Ltd., Representative Director (current position)
 June 2005 Outside Director of Kenko.com, Inc.
 June 2012 Retired from Outside Director of Kenko.com, Inc.
 March 2017 Outside Director of Senshukai Co., Ltd. (current position)
 May 2021 Outside Director of the Company (current position)

Reasons for Appointment as an Outside Director

After working for Toshiba Corporation and eLife Inc., Naomi Aoyama founded Stylebis Ltd. and is running the business of e-commerce, social media, inbound consulting, and advisory services. She has extensive experience in marketing from the perspective of consumers. She has also served as Outside Director for Kenko.com, Inc., and is currently serving as Outside Director for Senshukai Co., Ltd. Her fields of expertise include (1) introducing and disseminating e-commerce from the perspective of customers, (2) designing communication between businesses and consumers and utilizing social media; and (3) promoting the success of women. The Company expects that she can reflect her advanced and extensive discernment, experience, etc. she has cultivated in our management particularly in areas including strategies for the expansion of digital investment and measures for the success of women in human resource development in our Medium-Term Management Plan for sustainable improvement of corporate value. Therefore, the Company judged that she is a human resource suitable to supervising our business execution and appointed her as Outside Director. In addition, she was appointed as Independent Officer as it was determined that there would be no conflict of interest with general shareholders.

Audit & Supervisory Board Members

(As of May 26, 2021)

Masami Kawanishi

Full-time Audit & Supervisory Board Member

April 1978 Joined The Hiroshima Bank, Ltd.
 July 2006 General Manager of Kanayamacho Branch of The Hiroshima Bank, Ltd.
 April 2009 Joined the Company, Executive Officer and Finance Department Manager
 April 2010 Executive Officer, Finance Department Manager and Accounting Department Manager of the Company
 October 2010 Executive Officer and Administration Controller of the Administration Division of the Company
 April 2011 Executive Officer, Finance Department Manager, Accounting Department Manager and Corporate Administration Department Manager of the Company
 September 2016 Finance Department Manager, Accounting Department Manager and Corporate Administration Department Manager of the Company
 March 2019 Finance Department Manager and Accounting Department Manager of the Company
 April 2021 Finance and Accounting Department Advisor of the Company (current position)
 May 2021 Full-time Audit & Supervisory Board Member of the Company (current position)

Reasons for Appointment as an Audit & Supervisory Board member

Masami Kawanishi has served as the head of the finance, accounting, and corporate administration divisions of the Company and its Group companies, and has extensive experience and expertise related to finance, accounting, internal control, and corporate governance. The Company expects that he can contribute to the establishment of the Group's governance system. The Company also judged that he can actively exchange information with and closely cooperate with Outside Audit & Supervisory Board Members and the Financial Auditor by utilizing his experience as the head of the finance and accounting divisions in order to perform highly effective audits.

Tomoko Horikawa

Audit & Supervisory Board Member

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

Reasons for Appointment as an Outside Auditor

As Tomoko Horikawa possesses insight as a corporate manager and accounting specialist, the Company appointed her as Outside Auditor. The Company arm to the best of the Company's knowledge that the Company 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 the Company's general stockholders, she has also been appointed as an independent director according to the stipulations of the Tokyo Stock Exchange.

Hirotaoka Okada

Audit & Supervisory Board Member

July 2009 District Director of Takehara Tax Office
 July 2013 Director of Administration and Legal Division, Planning and Administration Department of Hiroshima Regional Taxation Bureau
 July 2014 Chief Internal Inspector, Hiroshima Regional Taxation Bureau, Commissioner's Secretariat of the National Tax Agency
 July 2016 Assistant Regional Commissioner, Large Enterprise and Criminal Investigation Department, Hiroshima Regional Taxation Bureau
 July 2017 Retired from Large Enterprise and Criminal Investigation Department, Hiroshima Regional Taxation Bureau
 August 2017 Established a tax accountant office (current position)
 May 2020 Audit & Supervisory Board Member of the Company (current position)

Reasons for Appointment as an Outside Auditor

Hirotaoka Okada has held senior positions in important departments of the National Tax Agency. As he possesses extensive experience and expert knowledge as an accountant as well as personality and insight that are highly conscious of compliance, the Company appointed him as Outside Auditor. The Company arm to the best of the Company's knowledge that the Company 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 the Company's general stockholders, he has also been appointed as an independent director.

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

	FY2/2011	FY2/2012	FY2/2013	FY2/2014	FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020	FY2/2021
Operating results (millions of yen)											
Operating revenue	502,379	515,875	535,510	556,852	579,739	668,784	702,121	729,857	732,136	744,349	679,778
Net sales	478,988	491,955	510,438	530,871	552,746	638,754	670,253	696,266	697,679	709,455	645,672
Operating profit	21,783	24,254	27,949	29,100	30,330	31,912	35,670	38,487	35,273	31,888	35,781
Ordinary profit	20,949	23,539	27,102	28,446	29,767	31,102	35,688	38,208	35,099	31,979	36,078
Profit attributable to owners of parent	9,941	11,062	16,187	17,384	17,360	18,766	17,015	26,932	23,488	19,953	23,053
Cash flows from operating activities	12,181	25,561	27,196	25,683	52,246	13,553	33,104	42,592	33,642	57,681	48,320
Cash flows from investing activities	(8,230)	(9,682)	(20,356)	(19,948)	(20,897)	(26,071)	(19,938)	(29,067)	(19,101)	(16,693)	(6,633)
Cash flows from financing activities	(7,117)	(21,934)	(6,272)	(5,501)	(25,159)	12,956	(16,252)	(15,477)	(14,793)	(40,142)	(25,361)
Cash and cash equivalents at the end of period	12,316	6,260	6,862	6,800	12,990	13,429	10,342	8,389	8,136	8,982	25,306
Depreciation	14,551	13,854	13,464	12,827	12,902	15,044	15,691	16,171	15,862	16,164	15,872
Amortization of goodwill	—	—	28	114	151	454	1,078	997	822	785	737
Capital investment	5,478	15,139	18,705	30,813	24,451	21,435	27,727	15,869	21,507	17,514	12,450
Financial condition (millions of yen)											
Total assets *1	368,584	370,377	379,824	397,071	432,416	468,026	476,885	479,867	484,876	490,106	489,692
Net assets	132,513	125,389	126,139	130,178	145,709	157,851	171,963	194,851	211,546	226,264	245,411
Shareholders' equity	122,537	112,302	115,380	120,211	134,818	147,648	160,566	182,956	199,897	214,345	232,495
Interest-bearing liabilities	160,743	158,106	167,471	173,999	157,922	193,018	182,146	171,995	162,974	128,928	109,414
Financial indicators											
Operating profit ratio on sales	4.5%	4.9%	5.5%	5.5%	5.5%	5.0%	5.3%	5.5%	5.1%	4.5%	5.5%
Return on equity (ROE)	8.3%	9.4%	14.2%	14.8%	13.6%	13.3%	11.0%	15.7%	12.3%	9.6%	10.3%
Return on assets (ROA)	5.5%	6.4%	7.2%	7.3%	7.2%	6.9%	7.6%	8.0%	7.3%	6.6%	7.4%
Equity ratio	33.2%	30.3%	30.4%	30.3%	31.2%	31.5%	33.7%	38.1%	41.2%	43.7%	47.5%
Dividend payout ratio	15.3%	16.2%	18.4%	18.2%	21.1%	24.4%	27.8%	20.0%	24.4%	28.7%	25.8%
Per-share indicators (yen)											
Book value per share (BPS)	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	3,244.56
Earnings per share (EPS)	104.35	123.74	207.01	236.55	241.6	261.96	237.45	375.83	327.79	278.45	321.72
Dividend per share (DPS)	16.00	20.00	38.00	43.00	51.00	64.00	66.00	75.00	80.00	80.00	83.00
Non-Financial Information											
Total number of issued shares at the end of period (unit: shares)	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	71,665,200
Number of treasury shares at the end of the period (unit: shares)	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	8,106
Number of stores at the end of period (Group) (unit: stores) *2	100	102	111	121	156	217	198	200	202	197	194
Number of stores at the end of period (Non-consolidated) (unit: stores)	87	88	92	102	103	103	105	110	112	111	109
Net sales for existing stores year-on-year (Non-consolidated)	100.1%	101.2%	100.1%	102.7%	101.8%	101.4%	101.5%	99.2%	99.4%	99.1%	89.7%
Cumulative number of Yumeca (e-money) issued (unit: 10,000 cards)	1	43	116	350	475	551	617	684	752	811	852
Number of employees (unit: people)	3,500	3,334	3,344	3,151	3,467	4,164	4,072	4,189	4,358	4,455	4,443
Part-time employees (unit: people) *3	7,009	6,950	7,088	7,297	8,503	10,225	10,761	11,263	11,234	11,457	11,149

*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 FY2/2020, 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.

Management analysis of the fiscal year under review



We aim to grow in response to change, from a foundation of robust management practices.

Tatsuya Mikamoto

Director and Senior Managing Executive Officer and Administration Division Manager

Results of operations

In the current fiscal year, the Japanese economy has seen a certain degree of recovery in social and economic activity depressed by the effects of COVID-19, but with the declaration of a second state of emergency, no end is yet in sight and the situation remains uncertain. Consumer spending has been extremely weak, due to factors including advice to stay home and low consumer confidence. Against this backdrop, we are prioritizing the health and safety of our customers and employees, while also moving forward with our business continuity plan (BCP) in order to fulfill our role as a community lifeline. In our Youme Towns, business was suspended in certain specialty stores in order to facilitate the drive to maintain social distancing during Japan's Golden Week holiday. Once the state of emergency had been lifted, we progressively loosened restrictions and proceeded with store management adapted to the new normal, while taking into account any developments in the situation. In order to minimize the impact of this situation on Company performance, we were quick to review our purchasing plan and reduce our inventories, as well as taking decisive action for cost reduction. Taking this difficult time as an opportunity for reform, we have devoted our energies to rebuilding robust management practices and cost structures, making efforts to establish and perfect these systems.

As a result of these measures, our business results for this fiscal year show a decrease in revenue but an increase in profit, with our ordinary profit increasing by 12.8% despite an 8.7% decrease in operating revenue.

Results summary

Within operating revenue, net sales fell by 63,782 million yen (9.0% year-on-year) to 645,672 million yen. Operating revenue fell by 788 million yen (2.3% year-on-year) to 34,105 million yen. This is mainly attributable to our suspension of specialty store operations in accordance with the state of emergency declared due to the spread of COVID-19, as well as the subsequent reduction in customer numbers. Gross profit came to 147,467 million yen, a decrease of 8,636 million yen compared to the previous year. Our gross profit margin was 22.8%, a 0.8% year-on-year increase. This may be principally attributed to

reductions in both inventory and losses, and decreased sales in our specialty stores (which present a low gross profit margin ratio) and the relative increase in the proportion of sales being made in our directly managed stores (which present a high gross profit margin ratio) which occurred as a result.

Selling, general and administrative expenses (SG&A) fell by 13,317 million yen (8.4% year-on-year) to 145,791 million yen, chiefly as a result of reductions in expenses for advertising and personnel and a decrease in start-up costs related to the opening of new stores, floor space expansions, and renovation of existing stores that took place in the previous fiscal year. Our SG&A margin was 22.6%, a year-on-year increase of 0.2%. Accordingly, operating profit increased by 3,892 million yen (12.2% year-on-year) to 35,781 million yen, for an operating profit margin of 5.5%, a 1.0% increase on the previous fiscal year.

Non-operating income increased by 409 million yen (27.6% year-on-year) to 1,893 million yen. At the same time, non-operating expenses increased by 203 million yen (14.6%) relative to the previous fiscal year, reaching 1,597 million yen. As a result, ordinary profit increased by 4,098 million yen (12.8% year-on-year) to 36,078 million yen. Our ordinary profit margin was 5.6%, a 1.1% increase on the previous fiscal year.

Extraordinary income totaled 3,610 million yen (up 2,941 million yen from the previous fiscal year), including a 3,115 million yen gain on sales of investment securities. Meanwhile, extraordinary losses came to 4,835 million yen (an increase of 2,032 million yen as compared to the previous fiscal year), including a 2,074 million yen loss related to infectious disease and an impairment loss of 1,641 million yen.

Total income taxes were 10,306 million yen, a year-on-year increase of 800 million yen. Profit attributable to non-controlling interests was 1,493 million yen (a 1,107 million yen increase on the previous fiscal year).

As a result of the above, profit attributable to owners of parent increased by 3,099 million yen (15.5% year-on-year) to 23,053 million yen, for a net profit margin of 3.6%, a 0.8% increase on the previous fiscal year.

Analysis of financial position

Within our total assets, cash and deposits rose to 16,324 million yen in this fiscal year. Capital investment in this fiscal year came to

12,450 million yen, due largely to revitalization of existing stores and the set-up of our new delicatessen plant. Our property, plant, and equipment decreased by 6,908 million yen, after accounting for depreciation. Notes and accounts receivable (trade) decreased by 3,895 million yen as a result of factors such as declining credit transactions. Merchandise and finished goods decreased by 4,119 million yen, with particular reductions in clothing due to the review of our purchasing plan.

Our liabilities include notes and accounts payable (trade), which decreased by 2,610 million yen due to factors such as a reduction in inventory purchasing. Income taxes payable increased by 2,893 million yen as a result of an increase in the company's taxable income. Short-term borrowings and long-term borrowings fell by a combined 19,525 million yen.

In net assets, retained earnings rose by 17,320 million yen due to an increase in internal reserves. Accordingly, our equity ratio was 47.5%, a 3.8% increase on the 43.7% ratio recorded at the end of the previous fiscal year.

Statement of cash flows

Cash inflows from operating activities were driven by our profit before income taxes, comprising 34,852 million yen; 15,872 million yen in depreciation; a decrease in trade receivables of 3,895 million yen; and a decrease in inventories of 3,917 million yen. Outflows mainly consisted of a 3,115 million yen gain on sales of investment securities and 9,049 million yen in income taxes paid.

Cash inflows from investing activities were driven by proceeds from sales of investment securities amounting to 4,697 million yen. Outflows mainly consisted of purchase of property, plant, and equipment of 12,632 million yen, primarily in the form of the settling of accounts payable for equipment related to store floor space expansion and store revitalization from the previous fiscal year, as well as the revitalization of existing stores and construction of a new delicatessen plant in the current fiscal year.

Cash outflows from financing activities were driven by repayments of long-term borrowings of 19,925 million yen and 5,732 million yen in dividends paid.

In consequence, cash and cash equivalents at end of period increased by 16,324 million yen over end of previous fiscal year to reach 25,306 million yen.

Dividend policy

Dividends paid from surplus in this fiscal year comprised an interim dividend, which was 40 yen per share (as in the previous fiscal year). We will issue a final dividend of 43 yen per share, set in consideration of a comprehensive range of factors, including company performance in this fiscal year and the future business environment. As a result, the total dividend paid this year will amount to 83 yen per share (last year's figure was 80 yen).

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, 2022

In addition to changes in the macro-environment up to the present, our future outlook is influenced by the fact that economic activity in all countries and regions is being impacted by the global COVID-19 pandemic, with fears of a global economic recession exceeding the scale of the 2008 financial crisis. Japan, too, has suffered outbreaks of COVID-19, necessitating several successive state of emergency declarations and, while vaccination has begun, prospects of an end to the situation remain unclear, and ongoing, continual changes to lifestyles and consumer behavior are expected.

Against this backdrop, the Izumi Group announced our Second Medium-Term Management Plan (for the period from February 2022 to February 2026) in April 2021. In the current period, we will work from a foundation of robust management practices restructured through bold reforms to reframe the retail industry's challenging business environment as an opportunity, as well as continue to achieve further growth and enhance corporate value in response to changing external circumstances. The fiscal year ending February 28, 2022 will be the vital launch year of our five-year Second Medium-Term Management Plan, in which we will move forward with steady implementation of its strategies.

Through these initiatives, we will secure customer satisfaction and increase management efficiency in the aim of further expanding and solidifying our regional dominance, leading to greater corporate growth.

Consolidated Balance Sheet

IZUMI CO., LTD. and its Consolidated Subsidiaries

As of Feb. 29, 2020 and Feb. 28, 2021

(Millions of yen)
As of Feb. 29, 2020 As of Feb. 28, 2021

(Thousands of U.S. dollars)
As of Feb. 28, 2021

	(Millions of yen) As of Feb. 29, 2020	(Millions of yen) As of Feb. 28, 2021	(Thousands of U.S. dollars) As of Feb. 28, 2021
(Assets)			
Current assets:			
Cash and deposits	8,982	25,306	237,437
Notes and accounts receivable—trade	46,392	42,497	398,733
Merchandise and finished goods	25,780	21,661	203,237
Work in process	13	20	188
Raw materials and supplies	535	458	4,297
Other	17,242	17,717	166,232
Allowance for doubtful accounts	(644)	(550)	(5,160)
Total current assets	98,302	107,112	1,004,992
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	399,826	400,335	3,756,193
Accumulated depreciation	(238,153)	(245,053)	(2,299,240)
Buildings and structures, net	161,672	155,281	1,456,943
Machinery, equipment and vehicles	10,062	11,242	105,479
Accumulated depreciation	(6,683)	(7,185)	(67,414)
Machinery, equipment and vehicles, net	3,379	4,057	38,065
Land	163,240	163,136	1,530,644
Leased assets	117	84	788
Accumulated depreciation	(106)	(64)	(600)
Leased assets, net	10	20	188
Construction in progress	1,552	497	4,663
Other	42,148	42,840	401,952
Accumulated depreciation	(34,556)	(35,294)	(331,150)
Other, net	7,591	7,545	70,792
Total property, plant and equipment	337,447	330,539	3,101,323
Intangible assets:			
Goodwill	3,172	2,441	22,903
Other	8,307	8,249	77,397
Total intangible assets	11,479	10,690	100,300
Investments and other assets:			
Investment securities	11,039	9,876	92,663
Long-term loans receivable	1,563	1,542	14,468
Deferred tax assets	8,326	9,244	86,733
Leasehold and guarantee deposits	17,722	16,909	158,651
Other	4,783	4,322	40,552
Allowance for doubtful accounts	(558)	(546)	(5,123)
Total investments and other assets	42,877	41,350	387,971
Total non-current assets	391,804	382,580	3,589,604
Total assets	490,106	489,692	4,594,596

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥106.58=U.S. \$1 as of February 26, 2021.

(Millions of yen)
As of Feb. 29, 2020 As of Feb. 28, 2021

(Thousands of U.S. dollars)
As of Feb. 28, 2021

	(Millions of yen) As of Feb. 29, 2020	(Millions of yen) As of Feb. 28, 2021	(Thousands of U.S. dollars) As of Feb. 28, 2021
(Liabilities)			
Current liabilities:			
Notes and accounts payable—trade	49,977	47,367	444,427
Short-term loans borrowings	2,000	1,300	12,197
Current portion of long-term borrowings	19,925	19,756	185,363
Accounts payable—other	15,653	14,076	132,070
Income taxes payable	5,089	7,983	74,901
Provision for bonuses	2,206	2,204	20,679
Provision for bonuses for directors (and other officers)	27	36	338
Provision for point card certificates	2,695	2,416	22,668
Provision for loss on recollection of gift certificates	81	115	1,079
Provision for loss on building demolition	—	117	1,098
Asset retirement obligations	13	39	366
Other	16,291	18,183	170,604
Total current liabilities	113,962	113,596	1,065,828
Non-current liabilities:			
Long-term borrowings	106,991	88,335	828,814
Lease obligations	5	17	160
Long-term leasehold and guarantee deposits received	23,498	22,552	211,597
Provision for retirement benefits for directors (and other officers)	1,002	915	8,585
Provision for loss on interest repayment	114	146	1,370
Provision for loss on building demolition	—	436	4,091
Retirement benefit liability	8,514	8,852	83,055
Deferred tax liabilities	1,413	980	9,195
Asset retirement obligations	8,099	8,267	77,566
Other	237	180	1,689
Total non-current liabilities	149,879	130,684	1,226,159
Total liabilities	263,841	244,281	2,291,997
(Net assets)			
Shareholders' equity:			
Share capital	19,613	19,613	184,021
Capital surplus	22,267	22,545	211,531
Retained earnings	171,751	189,072	1,773,991
Treasury shares	(27)	(30)	(281)
Total shareholders' equity	213,604	231,200	2,169,263
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	753	1,171	10,987
Remeasurements of defined benefit plans	(12)	123	1,154
Total accumulated other comprehensive income	741	1,294	12,141
Non-controlling interests	11,918	12,915	121,177
Total net assets	226,264	245,411	2,302,599
Total liabilities and net assets	490,106	489,692	4,594,596

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥106.58=U.S. \$1 as of February 26, 2021.

Consolidated Statement of Income

IZUMI CO., LTD. and its Consolidated Subsidiaries

For the fiscal years ended Feb. 29, 2020 and Feb. 28, 2021

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 29, 2020	Year ended Feb. 28, 2021	Year ended Feb. 28, 2021
Net sales	709,455	645,672	6,058,097
Cost of sales	553,351	498,204	4,674,460
Gross profit	156,103	147,467	1,383,627
Operating revenue	34,893	34,105	319,994
Operating gross profit	190,997	181,573	1,703,631
Selling, general and administrative expenses:			
Advertising and promotion expenses	16,430	9,643	90,477
Distribution expenses	8,215	8,152	76,487
Provision of allowance for doubtful accounts	230	184	1,726
Employees' salaries and bonuses	54,998	53,319	500,272
Provision for bonuses	2,011	2,119	19,882
Welfare expenses	10,456	10,522	98,724
Retirement benefit expenses	1,295	1,213	11,381
Rent expenses	11,855	11,526	108,144
Utilities expenses	8,471	7,482	70,201
Depreciation	15,672	15,243	143,019
Provision for retirement benefits for directors (and other officers)	61	(57)	(535)
Other	29,409	26,441	248,086
Total selling, general and administrative expenses	159,108	145,791	1,367,902
Operating profit	31,888	35,781	335,720
Non-operating income:			
Interest and dividend income	250	243	2,280
Purchase discounts	291	183	1,717
Share of profit of entities accounted for using equity method	9	84	788
Penalty income	164	149	1,398
Other	768	1,232	11,559
Total non-operating income	1,484	1,893	17,761
Non-operating expenses:			
Interest expenses	818	700	6,568
Compensation expenses	142	115	1,079
Other	433	781	7,328
Total non-operating expenses	1,393	1,597	14,984
Ordinary profit	31,979	36,078	338,506
Extraordinary income:			
Gain on sales of non-current assets	329	57	535
Gain on sales of investment securities	9	3,115	29,227
Subsidy income	310	25	235
Income from insurance	—	412	3,866
Other	19	—	—
Total extraordinary income	669	3,610	33,871
Extraordinary losses:			
Loss on sales of non-current assets	21	1	9
Loss on retirement of non-current assets	333	121	1,135
Impairment loss	1,146	1,641	15,397
Loss on valuation of investment securities	486	—	—
Loss on store closings	419	38	357
Loss on changes in construction project	213	—	—
Loss related to infectious disease	—	2,074	19,460
Loss on disaster	—	222	2,083
Provision for loss on building demolition	—	556	5,217
Other	183	179	1,679
Total extraordinary losses	2,803	4,835	45,365
Profit before income taxes:	29,845	34,852	327,003
Income taxes—current	9,685	11,788	110,602
Income taxes—deferred	(179)	(1,482)	(13,905)
Total income taxes:	9,505	10,306	96,697
Profit	20,339	24,546	230,306
Profit attributable to non-controlling interests	385	1,493	14,008
Profit attributable to owners of parent	19,953	23,053	216,298

Consolidated Statement of Comprehensive Income

IZUMI CO., LTD. and its Consolidated Subsidiaries

For the fiscal years ended Feb. 29, 2020 and Feb. 28, 2021

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 29, 2020	Year ended Feb. 28, 2021	Year ended Feb. 28, 2021
Profit	20,339	24,546	230,306
Other comprehensive income:			
Valuation difference on available-for-sale securities	233	287	2,693
Remeasurements of defined benefit plans, net of tax	195	126	1,182
Share of other comprehensive income of entities accounted for using equity method	—	12	113
Total other comprehensive income	429	425	3,988
Comprehensive income	20,769	24,972	234,303
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	20,164	23,607	221,496
Comprehensive income attributable to non-controlling interests	604	1,365	12,807

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥106.58=U.S. \$1 as of February 26, 2021.

Consolidated Statement of Changes in Equity

IZUMI CO., LTD. and its Consolidated Subsidiaries

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. 28, 2021

(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	22,267	171,751	(27)	213,604	753	(12)	741	11,918	226,264
Changes during period										
Dividends of surplus			(5,732)		(5,732)					(5,732)
Profit attributable to owners of parent			23,053		23,053					23,053
Purchase of treasury shares				(2)	(2)					(2)
Purchase of shares of consolidated subsidiaries		278			278					278
Net changes in items other than shareholders' equity						418	135	553	996	1,550
Total changes during period	—	278	17,320	(2)	17,596	418	135	553	996	19,146
Balance at end of period	19,613	22,545	189,072	(30)	231,200	1,171	123	1,294	12,915	245,411

Fiscal year ended Feb. 28, 2021

(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	184,021	208,923	1,611,475	(253)	2,004,166	7,065	(113)	6,953	111,822	2,122,950
Changes during period										
Dividends of surplus			(53,781)		(53,781)					(53,781)
Profit attributable to owners of parent			216,298		216,298					216,298
Purchase of treasury shares				(19)	(19)					(19)
Purchase of shares of consolidated subsidiaries		2,608			2,608					2,608
Net changes in items other than shareholders' equity						3,922	1,267	5,189	9,345	14,543
Total changes during period	—	2,608	162,507	(19)	165,097	3,922	1,267	5,189	9,345	179,640
Balance at end of period	184,021	211,531	1,773,991	(281)	2,169,263	10,987	1,154	12,141	121,177	2,302,599

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥106.58=U.S. \$1 as of February 26, 2021.

Consolidated Statement of Cash Flows IZUMI CO., LTD. and its Consolidated Subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 29, 2020	Year ended Feb. 28, 2021	Year ended Feb. 28, 2021
Cash flows from operating activities:			
Profit before income taxes	29,845	34,852	327,003
Depreciation	16,164	15,872	148,921
Amortization of goodwill	785	737	6,915
Increase (decrease) in allowance for doubtful accounts	176	(106)	(995)
Interest and dividend income	(250)	(243)	(2,280)
Interest expenses	818	700	6,568
Share of (profit) loss of entities accounted for using equity method	(9)	(84)	(788)
Subsidy income	(310)	(25)	(235)
Income from insurance	—	(412)	(3,866)
Loss (gain) on sales of non-current assets	(308)	(55)	(516)
Loss on retirement of non-current assets	333	121	1,135
Loss (gain) on sales of investment securities	(9)	(3,115)	(29,227)
Loss (gain) on valuation of investment securities	486	—	—
Impairment loss	1,146	1,641	15,397
Loss on store closings	419	38	357
Loss on changes in construction project	213	—	—
Loss related to infectious disease	—	2,074	19,460
Loss on disaster	—	222	2,083
Increase (decrease) in provision for loss on building demolition	—	554	5,198
Decrease (increase) in trade receivables	(6,570)	3,895	36,545
Decrease (increase) in inventories	2,560	3,917	36,752
Increase (decrease) in trade payables	18,708	(2,610)	(24,489)
Increase (decrease) in retirement benefit liability	544	449	4,213
Other, net	1,938	904	8,482
Subtotal	66,683	59,328	556,652
Interest and dividend received	218	248	2,327
Interest paid	(812)	(742)	(6,962)
Subsidies received	1,040	115	1,079
Proceeds from insurance income	—	412	3,866
Payment of loss related to infectious disease	—	(1,888)	(17,714)
Payments associated with disaster loss	—	(104)	(976)
Income taxes (paid) refund	(9,448)	(9,049)	(84,903)
Net cash provided by (used in) operating activities	57,681	48,320	453,368
Cash flows from investing activities:			
Purchase of property, plant and equipment	(15,266)	(12,632)	(118,521)
Proceeds from sales of property, plant and equipment	864	1,835	17,217
Purchase of intangible assets	(1,330)	(1,289)	(12,094)
Purchase of investment securities	(476)	—	—
Proceeds from sales of investment securities	39	4,697	44,070
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(51)	—	—
Other, net	(472)	754	7,074
Net cash provided by (used in) investing activities	(16,693)	(6,633)	(62,235)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(24,046)	(705)	(6,615)
Proceeds from long-term borrowings	11,000	1,100	10,321
Repayments of long-term borrowings	(21,259)	(19,925)	(186,949)
Purchase of treasury shares	(2)	(2)	(19)
Dividends paid	(5,732)	(5,732)	(53,781)
Dividends paid to non-controlling interests	(34)	(34)	(319)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(27)	(56)	(525)
Other, net	(40)	(5)	(47)
Net cash provided by (used in) financing activities	(40,142)	(25,361)	(237,953)
Net increase (decrease) in cash and cash equivalents	845	16,324	153,162
Cash and cash equivalents at beginning of period	8,136	8,982	84,275
Cash and cash equivalents at end of period	8,982	25,306	237,437

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥106.58=U.S. \$1 as of February 26, 2021.

Company Summary

(As of February 28, 2021)

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 (Consolidated)	Full-time: 4,443 Part-time: 11,149 (8-hour shift equivalent)
Number of malls and stores (Consolidated)	194 stores (GMS/SC: 65, NSC: 3, SM: 119, Other: 7) Chugoku area: 94 stores (GMS/SC: 40, NSC: 1, SM: 51, Other: 2) Kyushu area: 83 stores (GMS/SC: 19, NSC: 2, SM: 60, Other: 2) Shikoku area: 12 stores (GMS/SC: 4, SM: 8) Other areas: 5 stores (GMS/SC: 2, Other: 3)

Stock Information

(As of February 28, 2021)

Total number of shares issued by the Company	195,243,000
Total number of outstanding shares	71,665,200
Number of shareholders	7,860

Major Shareholders

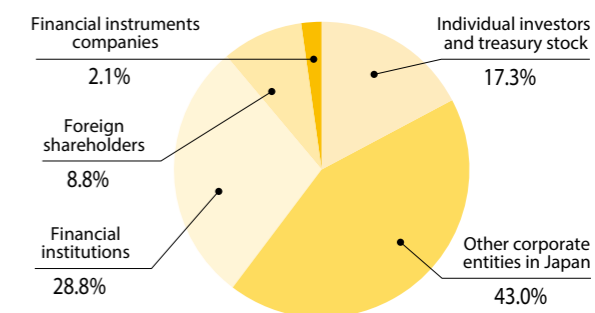
(As of February 28, 2021)

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)	3,705	5.2%
Custody Bank of Japan, Ltd. (Trust Account)	3,427	4.8%
The Hiroshima Bank, Ltd.	2,362	3.3%
Nippon Life Insurance Co.	2,093	2.9%
National Mutual Insurance Federation of Agricultural Cooperatives	2,061	2.9%
Yasuaki Yamanishi	2,037	2.8%
The Dai-ichi Life Insurance Co., Ltd.	2,030	2.8%
Izumi Hiroshima Kyoekai	2,002	2.8%

Note: The percentage of total shares is calculated after excluding treasury stock (8,106 shares).

Distribution of Shares by Type of Shareholder

(As of February 28, 2021)



Historical trend of stock price

