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IZUMI CO., LTD.



you me
Turning dreams into reality.

Integrated Report 2022

Aiming to be top in every community by providing “new value” and “new community building.”

Since its establishment, the Izumi Group has strived to be the top store in the region and has promoted the development of stores that cater to customer convenience, comfort, and enjoyment. Considering each of our stores as one town, we offer a variety of products and services in various places, including our large “Youme Town” shopping centers (“Youme” is a play on words, meaning “You & Me” in English and “Dream” in Japanese). In the future, we hope to move beyond the concept of “stores” for a new kind of “community building.” We will work to make our stores community hubs and centers of community revitalization.

Management Philosophy

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

Izumi’s DNA

Innovation
We will change the way we think and explore new opportunities instead of accepting the status quo.

Speed
We will take action now, and won't wait or give up.

Challenge
We will remain positive, never fear anything, and be bold in action.

Customers

We will lead the way to making customers’ lives more convenient and comfortable by providing high-quality products and services.

Employees

We will provide employees with a sense of worth and enjoyment in contributing to local communities, and a sense of fulfillment that leads to their personal growth.

Communities

We will contribute to building more vibrant communities and provide a positive impact on the economy by creating employment opportunities and improving access to shopping districts.

Tenants

We will use “Youme Town” as opportunities for the further development of tenants by creating successful examples of store creation.



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Editorial Policy

This describes the Izumi Group’s management strategies for medium-to long-term value creation and our business activities. We hope that this report will enable you to deepen your understanding of the activities of the Group, which aims to become the top store in the region, and would like to hear your honest feedback.

Reporting Period
March 1, 2021 – February 28, 2022 (including some activities after March 2022)

Reference Guidelines

- International Integrated Reporting Council (IIRC), International Integrated Reporting Framework
- GRI Sustainability Reporting Standards
- Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation

Date of Publication
October 2022



About the Izumi Group |
Four Dreams

4 dreams



We will contribute to building more vibrant communities and provide a positive impact on the economy by creating employment opportunities and improving access to shopping districts.

We will promote local employment opportunities by opening stores through a strategy of securing dominance. We believe that local economies will become enriched by revitalizing communities through local production for local consumption activities in cooperation with the government, shopping districts, and NPOs, by serving as a lifeline for communities in the event of disasters, and other ways.

We will lead the way to making customers' lives more convenient and comfortable by providing high-quality products and services.

In order to carefully meet the needs of customers, we have adopted a system that allows us to offer a lineup of high value-added products comparable to that of department stores, and to elaborate plans and operations for each store. We are also focusing on enhancing safety and security by making all of our stores accessible and installing AEDs.

Striving to create new value to achieve our four dreams.

We will provide employees with a sense of worth and enjoyment in contributing to local communities, and a sense of fulfillment that leads to their personal growth.

We have organized a career plan that respects the independence of employees and an education system that meets their different levels and goals. It is an environment where employees can set their own future careers and take the next step. In addition, the Izumi Group has introduced a system where income is determined according to each employee's responsibilities and authority rather than their position. We are building a system that allows all of our employees to be active and thrive.

We will use "Youme Town" as opportunities for the further development of tenants by creating successful examples of store creation.

For Youme Town, the locations of directly-managed sales floors and tenants are mixed and arranged by industry sector. Besides jointly implementing sales promotions and improving in-store access, we also support tenants with their recruitment activities, and are working to ensure that the Izumi Group and tenants can coexist and have shared prosperity.

This shows our growth trajectory as we have continued to dream big for more than half a century.

1961
Izumi Co., Ltd. established
First supermarket opened

Former president Yoshimasa Yamanishi observed social and consumer trends, and became convinced that the retail business era had arrived. The first full-scale supermarket was opened in Hiroshima Prefecture.




1973
Suburban shopping center
Gion store opened

With the spread of automobiles, the first large-scale suburban supermarket was opened in the Chugoku region. It was a rarity in Japan, and had 500 free parking spaces.



1990
Youme Towns open

Izumi has focused on retail store development with community-oriented shopping centers as the core. Youme Town was the start to our challenge of new community building.



Youme Town Higashihiroshima



2008
Youme Town Onga



Youme Town Onga

2008
Youme Town Hiroshima



Youme Town Hiroshima

1995
Stores openings in Kyushu begin

Izumi expanded into Kyushu instead of Kansai after considering the high population density, high growth rate, and lack of competition. The strategy of becoming the undoubted top store in a region where large stores had a low market share was expanded into one of opening stores not only in Kyushu but in other parts of western Japan as well.

2017
LECT opens with themes of culture, food, and living

The opened shopping center seamlessly connects three areas with a wealth of books and smart lifestyle proposals: a food zone with Izumi consisting of restaurants, a food court, and food supermarket; a living zone with the new home improvement center Cainz offering different lifestyles; and T-SITE with the element of culture.

*1 The Accounting Standard for Revenue Recognition was applied from the beginning of the fiscal year ending February 28, 2023. Operating revenue would be 697,100 million yen if this accounting standard was not applied.

Fiscal year ending Feb. 28, 2023 (forecast)
697,100 million yen
 (454,300 million yen)*1

Fiscal year ended Feb. 28, 2022
676,800 million yen

Operating revenue



1961	1970	1980	1990	2000	2010	2020	
Social Changes	1955-1972 High economic growth period.	1973 Oil crisis.	1979 The second oil crisis.	1986-1991 Bubble economy. 1991 Bubble economy collapses.	1997 Consumption tax raised to 5%.	2008 Lehman crisis.	2020- COVID-19 begins to spread.



2021
60th anniversary of Izumi's founding

As Izumi approaches the 60th anniversary of its founding, we have reviewed our management philosophy.

1946- Early times after founding

In 1946, former president Yoshimasa Yamanishi started a small stall outside in the burned-out city of Hiroshima. While starting out selling dried persimmons, he steered toward the wholesale business a year later due to increasing demand for clothing, and decided to expand into retail in 1959.

1961- Growing years

At a time when face-to-face sales were the norm, he opened a self-service supermarket where customers would get products themselves and bring them to cash registers. The Company's stock was listed on the Second Section of the Osaka Securities Exchange, and on the Hiroshima Securities Exchange in 1978.

1980- Growth phase

While laying its foundations in Hiroshima, the Company expanded its fields of business by building regional dominance in Okayama and Yamaguchi prefectures in the Setouchi region. In addition, after initiatives such as entering the new business category of fashion building development, introducing information technology, and being at the forefront of hiring women in the industry, the Company's stock was listed on the First Section of the Tokyo Stock Exchange in 1987.

1990- Rapid growth years

With the cooperation of local governments and residents, the Company opened Youme Town shopping centers to revitalize communities. Betting on its future, it also expanded into Kyushu, aiming for cooperation and shared prosperity with local communities throughout western Japan.

2000- Innovative years

The Company strengthened profitability through mergers and acquisitions to expand into Kumamoto Prefecture, and promoted various formats of store development that suited local characteristics and conditions. Izumi celebrated the 50th anniversary of its founding in 2011, and began the challenge to become a "one trillion yen company" in the next 100 years.

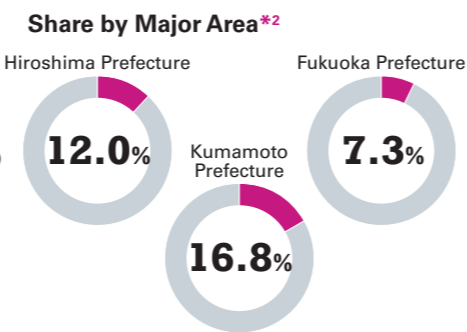
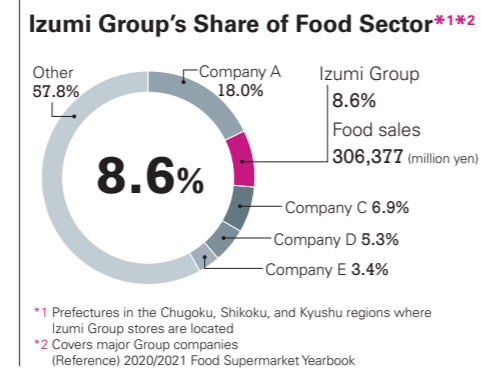
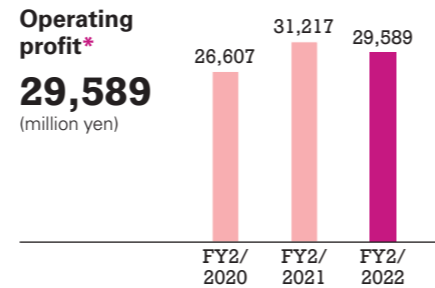
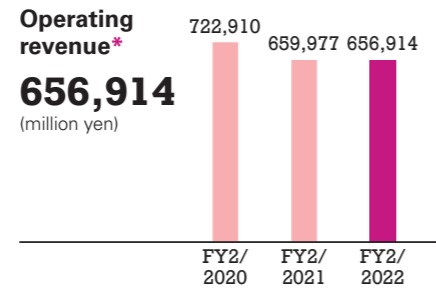
2012- New stage

Izumi is working to expand its products and services, including by opening the new type of shopping center called LECT, forming a business alliance with Seven & i Holdings, and creating its own manufacturing brand "zehi."

We operate stores that are rooted in communities centered on our retail business.

Retail Business

We sell clothing, food, and household goods through shopping centers, general merchandising stores (GMS), supermarkets, and other formats.



*1 Prefectures in the Chugoku, Shikoku, and Kyushu regions where Izumi Group stores are located
*2 Covers major Group companies
(Reference) 2020/2021 Food Supermarket Yearbook

Business Description



Shopping Centers
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.



Neighborhood Shopping Centers
With our directly operated supermarket serving as the anchor store, our malls with large parking lots are one-stop shopping environments that offer home improvement centers, electronics retailers, drug stores, restaurants, and more.



Food Supermarkets
They are closely connected to consumers' daily lives and support their dietary lifestyles. With a focus on food, the product lineup of these stores is closely in tune with regional tastes.



Facilities for spending time leisurely
Based on the themes of "culture, food, and living," this mall provides enjoyable experiences that include not only shopping, but also hands-on events.

Major Group Companies

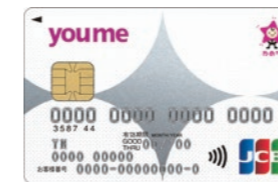
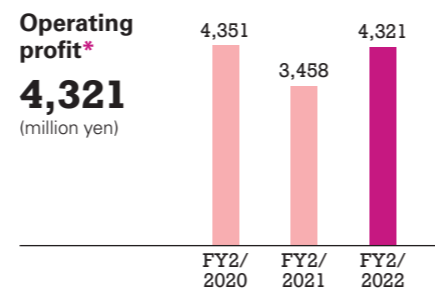
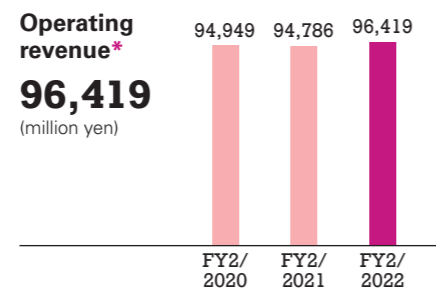
● IZUMI CO., LTD.
(our company)

Consolidated subsidiaries

- Youme Mart Kumamoto Co., Ltd.
- Youme Mart Kitakyushu Co., Ltd.
- Yours Co., Ltd.
- Dailymart Co., Ltd.

Retail-peripheral Businesses

We are engaged in credit handling services, store facility management services, and businesses that complement our retail business such as food and beverages.



Credit card operations
We are involved in a wide range of businesses, including the credit card business (Youme Card), e-money business (Yumeca), travel business, and life insurance agent business.



Facility management, construction, security, and cleaning services
In addition to facility management, construction, security and cleaning services, we are also involved in the designated management of museums, sports centers, cultural centers, and other facilities throughout western Japan.



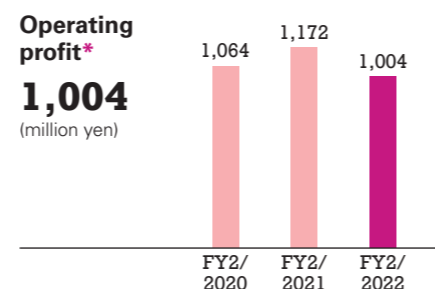
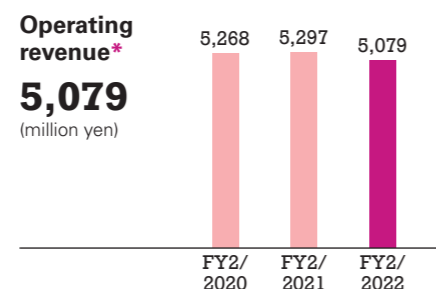
Restaurant operations
We manage a variety of food and beverage businesses, with a focus on food courts in Izumi stores. In addition to directly managed stores, we are also involved in managing franchise stores.

Consolidated subsidiaries

- You-me Card Co., Ltd.
- Izumi Techno Co., Ltd.
- Izumi Food Service Co., Ltd.
- Youme Delica Co., Ltd.

Other Businesses

In addition to our original wholesale business, we are also engaged in the real estate leasing business.



Clothing wholesale

Consolidated subsidiaries

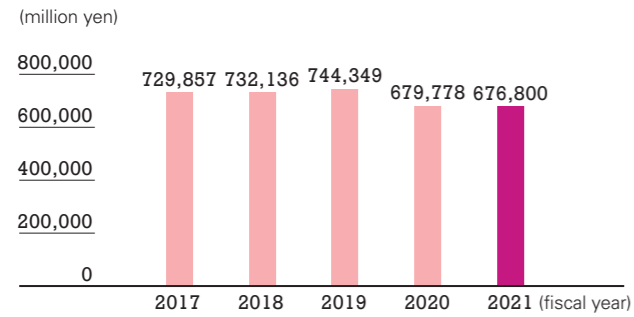
- Yamanishi Co., Ltd.
- Izumi Real Estate Co., Ltd.

* The operating revenue and operating profit in each business include adjustments between segments.

Financial Highlights

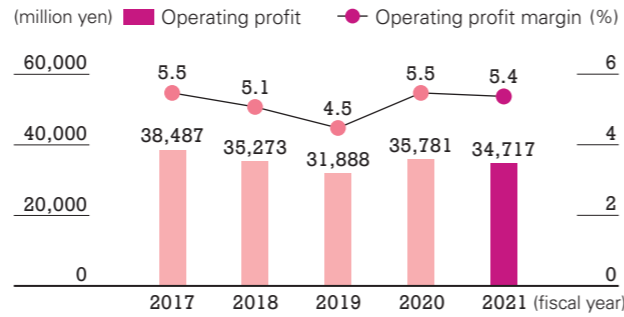
Operating revenue

676,800 million yen



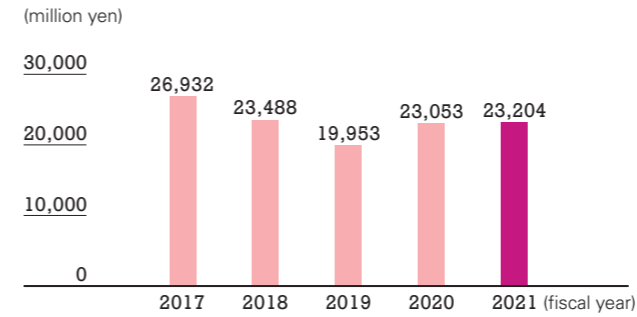
Operating profit / Operating profit margin (sales ratio)

Operating profit **34,717 million yen** Operating profit margin **5.4%**



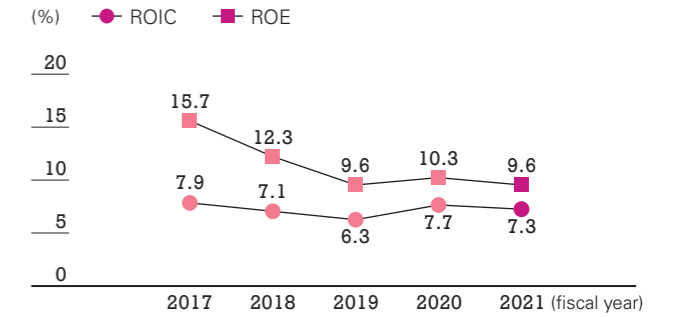
Profit attributable to owners of parent

23,204 million yen



ROIC* / ROE

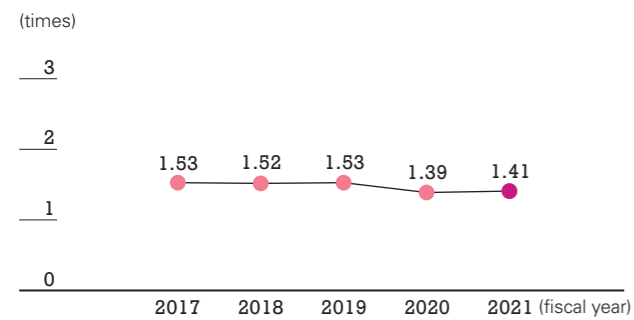
ROIC **7.3%** ROE **9.6%**



* Operating profit after tax / (Equity capital + Net interest-bearing liabilities)

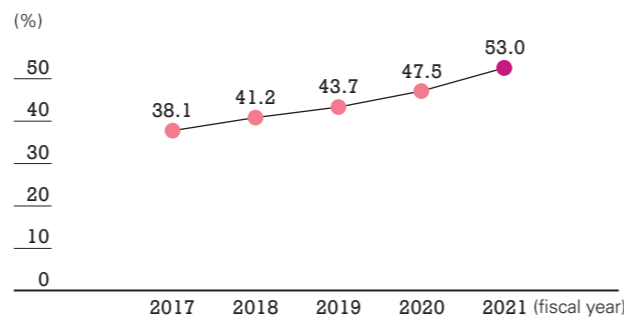
Total capital turnover

1.41 times



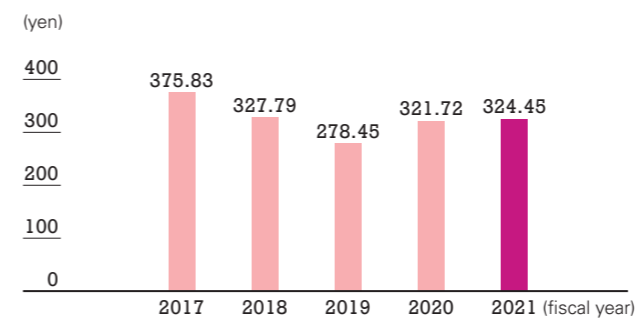
Equity ratio

53.0%



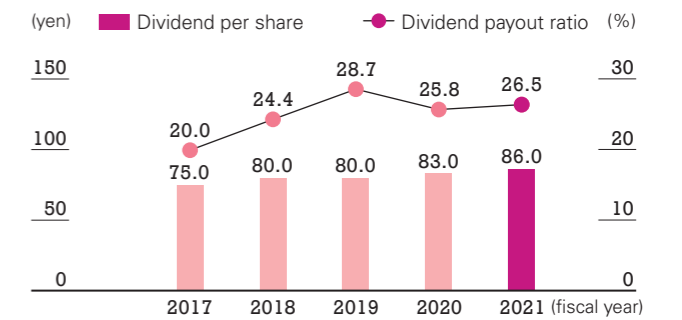
Earnings per share (EPS)

324.45 yen



Dividend per share / Dividend payout ratio

Dividend per share **86.0 yen** Dividend payout ratio **26.5%**

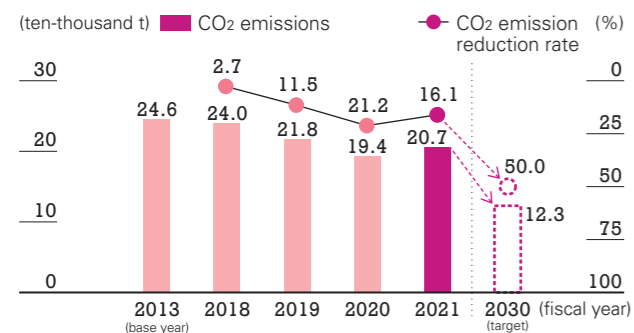


Non-Financial Highlights

Aggregation scope: Izumi Co., Ltd.

CO₂ emissions* / CO₂ emission reduction rate (relative to FY2013)*

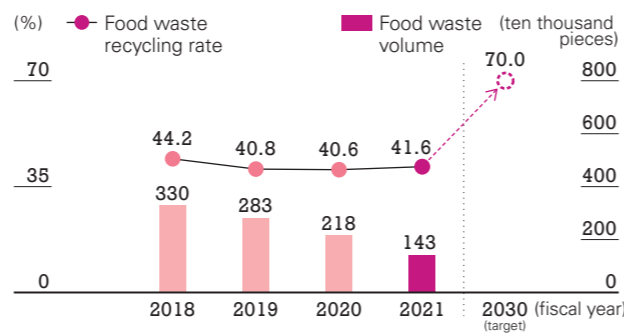
CO₂ emissions **20.7 ten-thousand t-CO₂** CO₂ emission reduction rate **16.1%**



* Scope 1 and 2

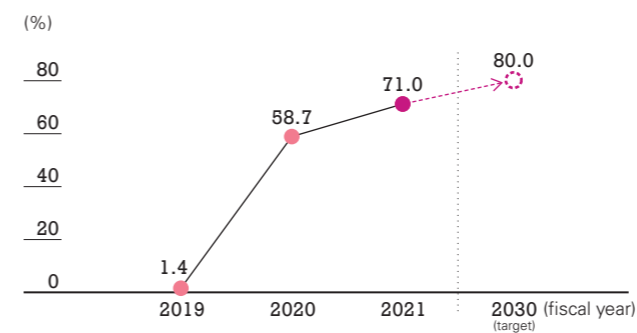
Food waste recycling rate / Food waste volume

Food waste recycling rate **41.6%** Food waste volume **143 ten-thousand pieces**



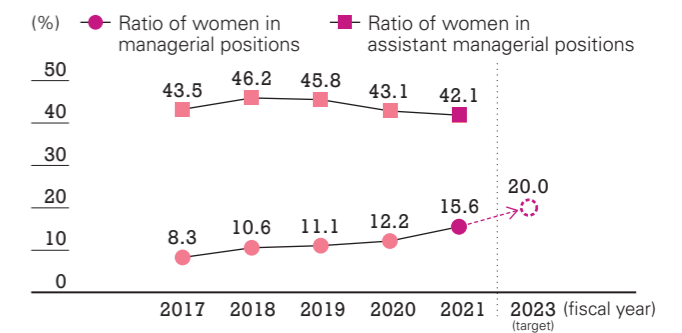
Reduction rate of plastic bag usage (relative to FY2018)

71.0%



Ratio of women in managerial positions / Ratio of women in assistant managerial positions

Ratio of women in managerial positions **15.6%** Ratio of women in assistant managerial positions **42.1%**





Yasuaki Yamanishi
President and Representative Director

Top Message

Consistently implementing our Medium-Term Management Plan for continued growth.

Izumi's corporate vision

We want to be a company where our employees can continue their work with a daily sense of pride and joy

The concepts of innovation, challenge, and speed have been carried forward as part of Izumi's DNA since our founding. In 1961, our Company's founder Yoshimasa Yamanishi took a leap from his original apparel manufacturing and wholesale business into the unfamiliar world of retail, opening the Chugoku-Shikoku region's first supermarket in the city of Hiroshima. This was followed by the establishment of a pioneering large-scale suburban store (shopping center) in 1973; direct management and expansion of a department carrying a range of fresh foods including meats, fresh fish, and fruits and vegetables; and production of prepared foods at a Company-run plant. In these and other ventures, the Company always acted with speed as it boldly took on the challenges of approaching new products and services, effected significant changes, and grew its business.

Last year (2021), we celebrated the 60th anniversary of Izumi's founding, and took this opportunity to revise our Management Philosophy. Our new Philosophy is: "Filling our employees with pride and joy as we continue contributing to communities and our customers' lives." At the heart of this change is a foregrounding of our employees' pride and joy. Their ability to demonstrate their strengths to the full and achieve personal growth is a vital precondition for the Izumi Group's continued contribution to our customers and communities. We wanted to communicate this clearly both within and beyond the Company.

Management theories and other commentaries often address the question of whether we should prioritize our customers or our employees, yet in reality the two are not so different for Izumi. This is because over 95% of the employees working at our Company are local people. At any given time, they may be in the role of employee, customer, or member of the local community. Our Management Philosophy framework includes the Four Dreams (see p3-4), each of which sets out how we will share value with our customers, communities, tenants, and employees, respectively, yet here too we actually see overlap in various respects.

The key player is "community." People living in each community come together, whether as employees, as customers,

or as tenants, in the aim of developing better stores and building better communities. You are unlikely to find this way of thinking at a national chain or an international corporation. This is the meaning behind our goal to be the top store in the region, and I believe it to be the Izumi Group's greatest strength.

Summary of FY2021 performance

Sales and profit remained at the same levels as last year, but reform of our profit structure has been proceeding steadily

FY2021 (the fiscal year ended February 2022) saw significantly reduced traffic to large-scale commercial facilities between April and September due to repeated state of emergency declarations and semi-emergency COVID-19 infection prevention measures (semi-emergency measures) made over this period, forcing stores in some regions to temporarily close their sales floors. With the roll-out of COVID-19 vaccination from early fall, we saw a certain degree of continuing recovery until the end of 2021 and the beginning of the new year. However, mid-January 2022 brought the rampant spread of a new COVID-19 variant, and semi-emergency measures were applied in the majority of the areas where our stores are located, once again severely restricting business.

As a result, FY2021 operating revenue was 676.8 billion yen (a decrease of 0.4% year-on-year), operating profit was 34.7 billion yen (a decrease of 3.0% year-on-year), and profit attributable to the owners of the parent company was 23.2 billion yen (an increase of 0.7% year-on-year). As compared to the previous fiscal year, we saw a return of customer traffic to our large-scale commercial facilities. At the same time, there was a shift in food supermarket revenues, with reductions due to a winding down of the stay-at-home economy driven by the COVID-19 pandemic. However, our performance figures as a whole remained on par with those of the previous year. In our initial plan for the period, we forecasted increased revenues and profits based on expectations that the COVID-19 pandemic would gradually be brought under control. However, the continuation and spread of the pandemic greatly exceeded expectations, which, coupled with changes in customer behavior, very unfortunately meant that we were unable to achieve our planned performance.

Nevertheless, we consider the period to have yielded gains in the form of steady progress in structural reforms toward the robust management structure that we have been pursuing. In the period covered by our previous Medium-Term Management Plan (FY2018–FY2020), we shifted our management policy from our previous strategy focused on increasing sales and store openings to a growth strategy prioritizing profitability, and engaged in a variety of initiatives including reviewing our purchasing plans, shrinking our inventories, and optimizing our advertising. It is undoubtedly this structural shift that allowed us to maintain increased profits despite a decrease in revenues when we came up against the unprecedented situation presented by the COVID-19 pandemic in FY2020. In this context, I consider our ability to maintain performance on par with that of the previous year in FY2021—a year which saw the continuation and, in some respects, increased impact of the COVID-19 pandemic as compared to the previous year—as proof of our steadily increasing capacity to adapt to the “living with COVID-19” landscape. In fact, our gross profit margin, operating profit margin, and other indicators are all showing high levels as compared to those of pre-pandemic FY2019. Furthermore, shareholder dividends in FY2021 saw a dividend increase of 3 yen as compared to the previous fiscal year for a total annual dividend of 86 yen (with interim dividends and year-end dividends both set at 43 yen).

**Our Medium-Term Management Plan:
current progress and future developments**

**Focusing on reforming food supermarkets
and revitalizing and evolving
shopping centers while also working to
strengthen Group management**

FY2021 was the first fiscal year of our second Medium-Term Management Plan (FY2021–FY2025). In 2020, the Izumi Group shared our 2030 Long-Term Vision, describing where we want to be in the future. In addition to the numerical targets of expanding our network to 300 stores (with a focus on the regions of Chugoku, Shikoku, and Kyushu), operating revenues of one trillion yen, and an operating profit margin of 6.0%, our Long-Term Vision also expresses our determination to contribute to society by taking on the challenge of co-creation together with communities full of dreams (Youme). The Izumi Group has established a second Medium-Term Management Plan as the first step toward achieving this Long-Term Vision and aims to use supermarket reform, revitalization and evolution of shopping centers, strengthening of Group management, and other initiatives to both respond to the rapid and ongoing changes in our operating environment and reach a new stage of growth.

With the opening of new stores, mergers and acquisitions, and a “scrap and build” approach to existing stores, we will be pursuing expansion of our food supermarket operations, which we see as a future growth driver. Opening of new stores in FY2021 was slightly behind schedule due to a number of factors, including an increasing number of cases in which we could not obtain all materials required to build new stores as a result of semiconductor shortages, supply chain disruption, and other setbacks. A further

issue relevant to our food supermarket operations is that of increasing the productivity of each individual store. In this area, we have created a standardized size-based classification of stores into the three categories of standard, large-scale or regional, and small-scale, and are pursuing improvements through horizontal development. We will continue to work towards improvements in productivity through strengthening our product performance and pricing strategy.

In the arena of our shopping center operations, we are continuing to advance reforms to our business platforms that take into account demographic and lifestyle changes and center around the themes of revitalization and evolution. One direction that this evolution is taking is a shift from objects to services. In order to move away from simply selling goods and toward expanding the building blocks of services that will stimulate local communities, we have entered into comprehensive agreements with local governments in various areas and are actively putting forward proposals that will contribute to aims such as building safe and secure communities, promoting tourism and industry, and improving public services. As of the end of May 2022, we have concluded over 60 agreements with local governments and other bodies and ultimately plan to enter into agreements with all of the prefectures and cities in which the Group operates.

A further direction for our shopping center evolution is toward reaching young consumers. Alongside efforts to strengthen customer loyalty among the senior population, who are very frequent users of our facilities, we are also enhancing our efforts to create communities and sales floors that will actively encourage young “Millennial” and “Gen Z” customers to visit our stores. Youme Town Arao in Arao, Kumamoto Prefecture provides an example of this. In April this year, the Arao City Library moved into the shopping mall at this facility, and footfall to the facility has reportedly shot up more than tenfold as a result. We intend to roll out similar initiatives, carried out together with the local community, to other Youme Towns.

In addition to the projects detailed above, we are also considering the perspective of Group management. In this area, we will continue to expand the peripheral businesses of our subsidiaries while aligning with the Group’s strategy of securing dominance. For example, Izumi Techno Co., Ltd., the company responsible for management, construction, cleaning, security, and other aspects of our facilities, is venturing into the arena of officially designated management of museums, cultural centers, and similar operations in regions across Western Japan, increasing its growth potential by building trust and a track record in these local communities. In addition, Youme Delica Co., Ltd., responsible for making our prepared foods, commenced output under the Group’s first in-house production brand, zehi (see p28), in April of this year, with sales increasing well.

**Promoting digital transformation both to support
our business strategy and strengthen our
management infrastructure**

We believe that digital transformation (DX) is a vital component in laying the foundations for growth. Our second Medium-Term Management Plan sets out a 20-billion-yen investment to advance DX over a five-year period.

In terms of supporting our business strategy through DX, we are continuing toward our goal of delivering digital commerce. In addition to Youme Online, our store-linked select online sales service set up in FY2020, our community-oriented delivery service Youme Delivery began operations in June 2021. On the sales promotion front, in April 2021, we completely overhauled our Youme App for smartphones, which will play an important role in building stronger relationships with our customers going forward. The redesign added new functions such as a barcode payment system and digital coupons. We will continue to roll out promotional activities optimized to reach each and every one of our customers.

We are also utilizing DX to strengthen our management infrastructure, redesigning core systems to advance centralized data management and Multi MD* compatibility, as well as working to leverage digital tools to streamline store management and improve work processes, such as by using artificial intelligence (AI) to predict demand and optimizing store staffing.

*Merchandising for multiple business categories (GMS and SM)

**Prioritizing health and the environment in our
non-financial activities**

In order to achieve continuing sustainable growth as a corporate group, I believe that we must also focus on non-financial initiatives as exemplified by the ESG (environmental, social, and governance) concept. In 2020, we published the Youme MIRAI Declaration (see p29–30), aiming for the same 2030 completion date as the SDGs. With the goal of building a sustainable future, we are identifying the issues in each relevant area and moving forward with various initiatives.

One of the keywords we consider central when it comes to our non-financial activities is “health.” Through the various foodstuffs we provide as part of our retail operations, the Izumi Group contributes to health promotion for customers in our local communities. In addition, we also provide services conducive to health through our tenants, which include gyms and health-care clinics. Within our own Company, we are also working, through promotion of health management, to provide a working environment where employees can bring energy to their work. By combining these initiatives, we hope to further our contributions to local communities from a health viewpoint, while also considering additional ventures such as collaborations with other industries and external organizations. Another of our keywords is “environment.” On the environmental front, we have set reducing food waste, eliminating plastics, and lowering CO2 emissions as our three key themes and are further intensifying our efforts in these areas.

I believe that a key point in promoting action around health and the environment is spreading awareness throughout the Group of the fact that creating social value will increase our own economic value (profit). Further, I think that cooperation with local authorities is a vital component for expanding on these activities. Considering this, we also intend to further expand our previously mentioned agreements with various local governments.



A message for our stakeholders

**Carrying forward the three strands
of Izumi’s DNA and aiming for sustainable
growth together with local communities**

While the effects of the COVID-19 pandemic will continue, constraints on business are expected to ease in FY2022 (the fiscal year ending February 2023). We anticipate an operating revenue of 454.3 billion yen. Please note that this figure was calculated in line with the Accounting Standard for Revenue Recognition that came into effect from this period; calculation according to the previous Standard gives a revenue of 697.1 billion yen, which is a year-on-year increase of 3%. In terms of profit, meanwhile, soaring energy prices have prompted predications of further rises in overhead costs, including procurement of goods and materials, utilities costs, and logistics expenses. On this basis, we anticipate an operating profit of 32.6 billion yen (a decrease of 6.1% year-on-year) and profit attributable to the owners of the parent company of 20.9 billion yen (a decrease of 9.9% year-on-year). Our plan for shareholder dividends in FY2022 is to set interim dividends and year-end dividends at 43 yen for an annual dividend of 86 yen. We will continue to aim for a consolidated dividend payout ratio of 30% and work toward proactive dividend payment and shareholder returns in line with profit growth.

The Izumi Group is expanding into increasingly mature and competitive markets, making for a harsh operating environment. We will nevertheless continue to resolutely carry forward the innovation, challenge, and speed that make up the Company’s DNA as we strategically invest our management resources in areas in which we can establish a competitive advantage and while aiming to achieve both sustainable growth together with local communities and a steady increase in our corporate value. We hope that all of our stakeholders will continue to generously lend the Izumi Group their support and understanding.

山西泰明
President and Representative Director

Management Philosophy

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

Natural capital

- All prerequisite environmental resources
- Conserving energy
 - Efforts to recycle food waste
 - Efforts to reduce plastic bag and wrapping material usage

Intellectual capital

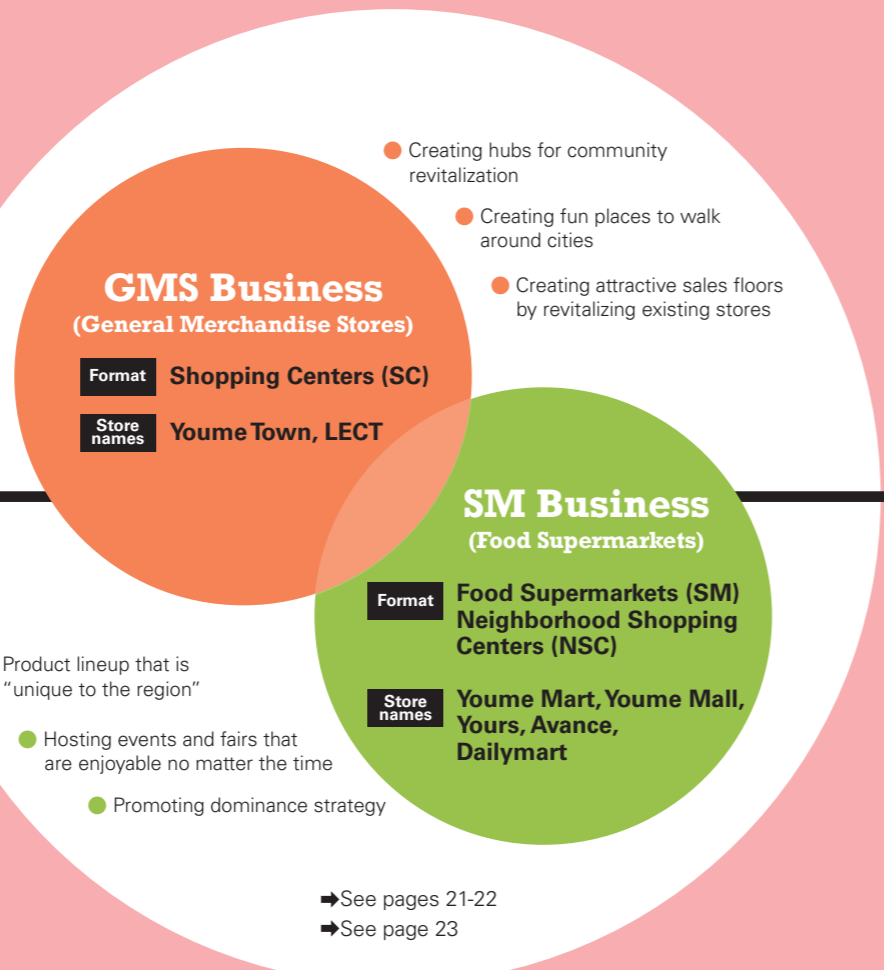
- Knowledge-based intangible assets
- Product lineup, product development
 - Sales floor management
 - Production power of store facilities

Human capital

- People's capacity, experience and willingness to innovate
- Matching the right people to the right positions
 - Autonomous store management through support systems from the head office and by delegating authority

Invested capital

Business activities



Financial capital

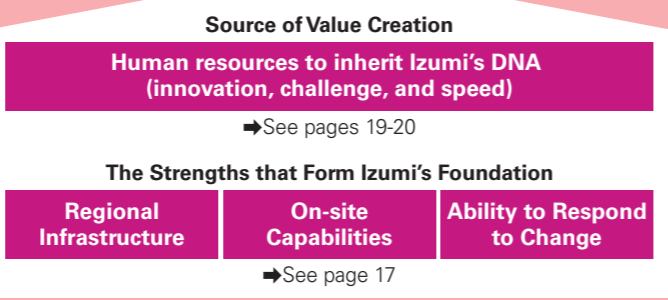
- Available capital
- ROE: 9.6%
 - Equity ratio: 53.0%
 - Rating: A+ (2021 JCR)

Manufactured capital

- Products available to organization in provision of services
- High-efficiency stores that are dominant in a limited area
 - No. 1 store in the region
 - Presence of popular store purchase card members

Social and relationship capital

- System for building trusting relationships with stakeholders
- Opportunities to hear customer feedback
 - Local government disaster-response measures, etc.
 - Enhancing relationships through dialogue



Youme MIRAI (Future) Declaration

- Greater convenience and comfort through digital technology
- Being compatible with the new normal
- Providing service for a new era
- Aiming to be a sustainable company

→ See pages 29-30

Business strategy

- Food supermarkets (SM) reform
- GMS reform
- Promotion of DX
- Strengthening Group management

→ See pages 23-28

Strategy

CO2 emissions reduction (relative to FY2013)

16.1%

Food waste recycling rate

41.6%

Ratio of female managers

15.6%

Number of agreements signed with local governments, etc. (as of the end of May 2022)

62

Results of business activities

Number of malls and stores

194

New store openings

3

Digital currency "Yumeca (e-money)" Total number of cards issued

8.99 million

Number of Youme App members

1.58 million

Launched private brand "zehi" in April 2022

(Number of items handled as of the end of FY2022 at least 50 planned)

Local communities and customers

Creating enriched lives together with local communities and customers

Environment

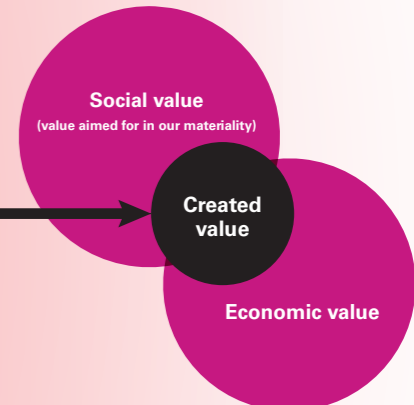
Achieving a decarbonized society and efficiently using resources

Safety and Security

Creating value by providing safety and security, and through products and services

Diversity

Creating an environment where diverse human resources can thrive



Operating revenue **676,800 million yen** (99.6% year-on-year)

Operating profit **34,717 million yen** (97.0% year-on-year)

Profit attributable to owners of parent company **23,204 million yen** (100.7% year-on-year)

ROE **9.6%** (down 0.7 percentage points year-on-year)

Dividend per share **86 yen** (up ¥3 year-on-year)


Izumi will accelerate growth with the three strengths that form our foundation.

Regional Infrastructure

Enhanced brand strength and customer loyalty through dominance strategy

We continue to increase the strength of the Youme brand by concentrating our store openings in the Chugoku, Shikoku, and Kyushu regions. As a result of our efforts to maximize our market share through our dominance strategy, we have gained the support of many customers, issuing a total of 8.99 million digital currency Yumeca cards and acquiring 1.58 million Youme App members as of the end of February 2022.

We will continue to build a solid regional infrastructure by collaborating with local governments, opening new stores, and M&A and alliances.




On-site Capabilities

Operating structure for each store

In order to become the top store in the region, we have adopted a store-oriented approach where general managers, store managers, and staff play a central role in managing stores in ways that best suit the region. This allows us to respond flexibly and promptly to renew our product lineup and expand services according to the local environment and circumstances.


In addition, we have established a training and education support system for all employee levels to support their skill development. We have also created a system to encourage the improvement of on-site capabilities by holding food skill contests and example presentations for full-time and part-time employees, and provide stipends for technical qualifications.



Ability to Respond to Change

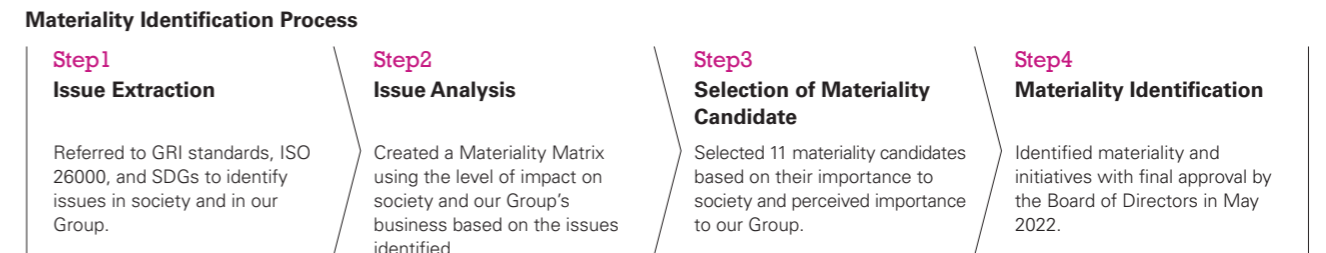
Three store formats to meet wide range of customer needs

We have three store formats to meet local conditions and diverse customer needs that continually change: shopping centers that provide comfortable spaces for families to spend their time, food supermarkets that are convenient and rooted in communities, and neighborhood shopping centers with a food supermarket at their core and many specialty store tenants. We will provide new value to existing customers and gain the support of new ones by continuing the revitalization of existing stores and scrapping and building.



We have identified our materiality to solve social issues through our business.

In May 2022, we identified our materiality from diverse environmental, social, and economic sustainability issues, and narrowed them down to those with a significant impact on society and stakeholders and that are related to the sustainability of our business.



Materiality Matrix

<ul style="list-style-type: none"> ● Creation of employment opportunities ● Response to human rights ● Information security and personal information protection ● Health management and work-life balance ● Pandemics caused by infectious diseases 	<ul style="list-style-type: none"> ● Reduction of food waste ● Promotion of food recycling ● Circular society ● Health expectancy ● Climate change and efficient energy use ● Contribution to and revitalization of local communities ● Providing safety and security during disasters ● Providing safe products (thorough hygiene management) ● Promotion of women's advancement ● Compliance ● Response to declining birthrate and aging society
<ul style="list-style-type: none"> ● Information disclosure ● Resource depletion ● Marine and soil pollution ● Conservation of water resources 	<ul style="list-style-type: none"> ● Consideration of biodiversity ● Shortened shopping times, and support for non-face-to-face needs ● Role as essential store ● Contribution to building safe and secure cities and communities ● Response to those with shopping difficulties ● Employee human resource development
<ul style="list-style-type: none"> ● Fair competition ● Anti-corruption measures ● Promotion of hiring people with disabilities ● Effective use of water resources 	<ul style="list-style-type: none"> ● Decrease in number of agricultural workers ● Sales of health-conscious products

Importance to Society (y-axis), Importance to Izumi (x-axis)

Materiality and Initiatives

Materiality	Initiative
Local communities and customers Creating enriched lives together with local communities and customers	<ul style="list-style-type: none"> ● Providing customers with convenient ways to shop (expansion of fresh food delivery) ● Providing products and services that consider various customers, such as senior citizens and the unmarried ● Signing comprehensive agreements and agreements for the supply of goods during disasters ● Providing places for customer in local communities to gather
Environment Achieving a decarbonized society and efficiently using resources	<ul style="list-style-type: none"> ● Reduction of CO2 emissions ● Reduction of plastic containers and packaging, and effective resource use ● Reduction of food waste and waste generated by stores ● Implementation of food recycling
Safety and security Creating value by providing safety and security, and through products and services	<ul style="list-style-type: none"> ● Thorough hygiene management ● Expansion of health-conscious and allergen-free products ● Sustainable procurement of marine and agricultural products
Diversity Creating an environment where diverse human resources can thrive	<ul style="list-style-type: none"> ● Increased ratio of female managers and employment rate of people with disabilities ● Gender equality, and support for the youth, elderly, and others in playing active roles ● Creation of working environment that suits different life stages

We are striving to create environments where all employees can grow.

The source of our Group's corporate value is its "people."
We are creating environments where all employees, regardless of age, gender, or career with the Group, have equal opportunities to succeed and grow.

Message from Outside Director

With Japan's declining birthrate and aging population, the most valuable resource is its people. For Izumi to increase its corporate value, it is essential that employees, part-timers, and future human resources who will join Izumi work together and gradually expand what each can do.

We support the creation of environments where many employees can succeed

Naomi Aoyama

I think that Izumi University, which was established by Izumi as part of efforts to cultivate future leaders, is an amazing initiative. It is of utmost importance that they use what they have learned there and be aware and take pride in the fact that they are paving the way for Izumi's future. Many female employees have participated, too. I

cannot wait to see what they will do from now.

I am also very excited about the Youme Can Project, which promotes female career development. I myself struggled to maintain a balance between my career and childrearing. No matter how good company systems are, the true participation of women will never be achieved without a culture of utilizing them. I believe that Izumi's "Youme Can Project" is the driving force behind creating this corporate culture. I would like to support these initiatives to proactively address the concerns of women aspiring to managerial positions.

Since becoming an outside director, I have had the valuable opportunity to lecture at Izumi University and exchange opinions with members of the Youme Can Project. Going forward, I want to continue doing my best to help create a better Izumi, not only by speaking at board meetings, but also by doing more and exchanging opinions with people on the front lines and visiting stores.

Naomi Aoyama
Outside Director

As the president of Stylebis, Inc., an e-commerce, social media, and inbound consulting and advisory business, she has extensive experience in consumer-oriented marketing.

Izumi University cultivates management executives

Izumi University was started in July 2021 to train future management executives from within Izumi. Members are selected to take a two-year program in three courses: section managers/store managers, department managers/general managers, and executive officers. It hones leadership, problem-solving, hypothesis-building, and other skills.



The Youme Can Project encourages women's advancement

Izumi launched the Youme Can Project (a project promoting the advancement of women) in 2014, and is working to achieve the goal of increasing the ratio of female managers to at least 20% by 2023. Increasing numbers of women are becoming store managers and deputy managers each year, and we held our first Female Manager Meeting in 2021.



Message from Outside Audit & Supervisory Board Member

Izumi has achieved success until now by having experts in each field work with a strong sense of commitment and responsibility to achieve their respective missions. However, in order to respond to the challenges of the new era, which include the recent declining population, intensifying competition, diversifying consumer values, changing work styles due to digital transformation (DX), and contributing to the SDGs, we need human resources with broader and heightened perspectives.

I believe that it would be ideal for the next generation of management to be selected from among them. I heard an overview of the program and instructors of Izumi University, which is designed to train future managers and it seems very well put together, so I look forward to seeing the growth of employees after they complete the program. I hope that those who were selected will find their own goals and work hard to achieve them. Let those who feel drawn in answer the call.

As the retail industry faces the challenge of a world with abundant goods and of emphasized experiential consumption, changing the concept of store development will be indispensable. The diversity of our employees is vital as we move forward with this transformation. I have long considered it an issue that there are few women managers despite the fact that most of Izumi's customers are women, and the Youme Can Project, which promotes the career development of women, was launched to solve this problem. We are making steady progress in creating comfortable workplaces for women to work. With the many motivated and wonderful women at Izumi, I hope that they will not be hesitant to become managers.

Supporting motivated employees who will become the next generation of management leaders

Tomoko Horikawa

Tomoko Horikawa
Outside Audit & Supervisory Board Member

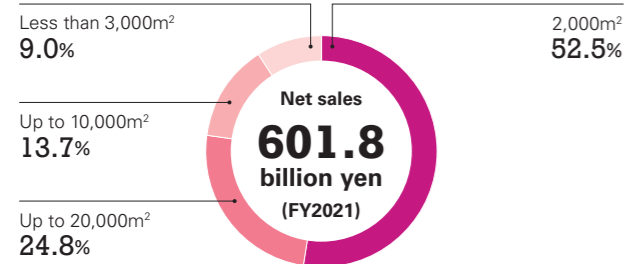
After gaining experience as a certified public accountant, she joined family-owned Chugoku Mokuzai Co., Ltd. She has served as an officer in important departments and is currently the president. She has a high level of insight as a company owner and accounting expert.

Fulfilling customers' diversifying needs in three retail formats.

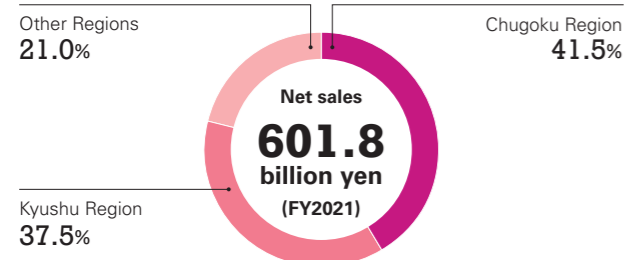
Rooted in the local community, the Izumi Group is striving to build towns full of happiness by offering services to support people's daily lives.

We currently operate three types of retail formats, from large-scale to small-scale stores. By choosing a store type appropriate for the location, we strive to respond to constantly changing and diversifying needs of customers.

Retail sales by floor space (non-consolidated)



Net sales by area



194 stores

The number of stores is current as of February 28, 2022.



GMS Business

Shopping Center (SC)
Youme Town, LECT **64** stores

Youme Town is a large commercial facility where children, parents, and grandparents can have a pleasant time together. This store operates as a community-based store that provides products, services, and experiences best suited to the lifestyle of local customers.

LECT, a store providing experiences for consumers

LECT represents Living, Eating, Culture, and Town/Time. Based on the three themes of "culture, food, and living" and cooperating with our key tenants, LECT aims to be the third place that is comfortable and full of discoveries outside home, workplace, and school—a shopping center providing special moments to customers.



SM Business

Food Supermarket (SM)
Youme Mart, Yours, Avance, Dailymart **120** stores

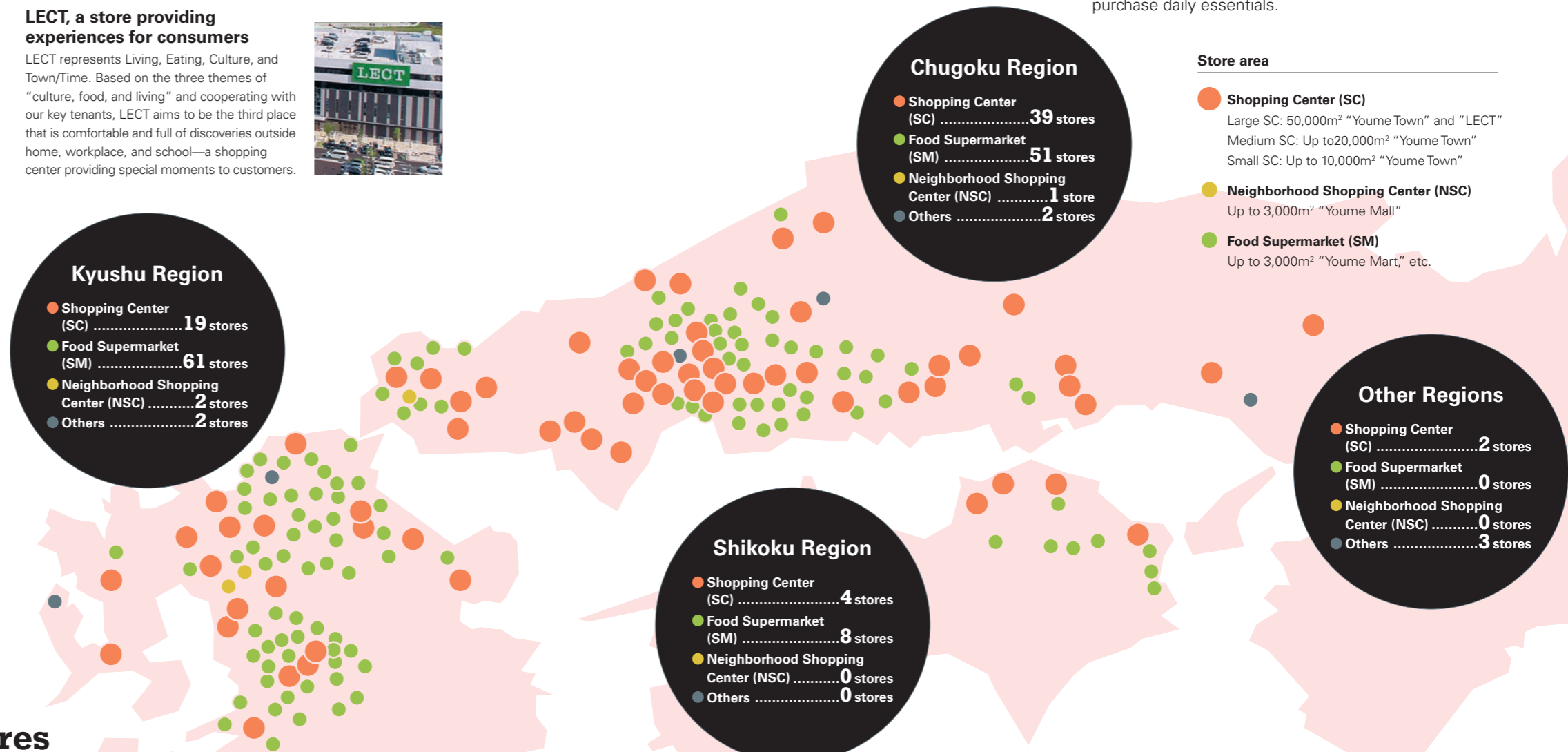
With a focus on food, the product lineup of this convenient and community-rooted supermarket is closely in tune with regional tastes and includes daily necessities like household goods and underwear.



SM Business

Neighborhood Shopping Center (NSC)
Youme Mall **3** stores

This is a lifestyle center which includes retail stores of different types. With our directly operated Youme Mart supermarket serving as the anchor store, the mall offers home improvement centers, restaurants, and more. It is a one-stop shopping environment where customers can purchase daily essentials.



Store area

- Shopping Center (SC)**
Large SC: 50,000m² "Youme Town" and "LECT"
Medium SC: Up to 20,000m² "Youme Town"
Small SC: Up to 10,000m² "Youme Town"
- Neighborhood Shopping Center (NSC)**
Up to 3,000m² "Youme Mall"
- Food Supermarket (SM)**
Up to 3,000m² "Youme Mart," etc.

We aim to maximize profits from retail operations —the driving force behind the Group's growth.

The Izumi Group categorizes its retail operations into two segments: **GMS (General Merchandise Store)** and **SM (Food Supermarket)** businesses.

Strategy for GMS Business

Creating hubs for community revitalization

Each of the stores operated by the Izumi Group ensures that general managers, store managers, and other staff respond quickly to fulfill the diversifying needs of customers by managing the stores in a way appropriate for the region. Through services we provide jointly with the local government and by creating fun spaces for three generations to learn and play together, we are working to turn our stores into facilities that will impress our customers.

Creating fun places to walk around cities

Our shopping centers, consisting of our directly managed sales floors combined with stores operated by tenants, have a diverse atmosphere similar to that of a city or shopping district, providing opportunities for new discoveries and navigation in multiple directions. The facilities feature an atrium design with a circular main hallway, giving a spacious feel.

Creating attractive sales floors by revitalizing existing stores

Youme Town regularly renovates its stores to make them more attractive by changing the product lineup to meet customers' needs, renewing sales facilities, and replacing stores operated by tenants. In areas where it is difficult to find tenants, we recently opened more franchise stores that are directly managed by the Izumi Group.



Strategy for SM business

Product lineup that is “unique to the region”

The Izumi Group aims to gain 20% share within a 5-minute drive radius of a store, offering a selection of fresh products of the region, including freshly caught raw fish of the morning, directly shipped from local fishery ports nearby.

Hosting events and fairs that are enjoyable no matter the time

Our goal is to create stores that make daily shopping more enjoyable. We offer seasonal fairs and hassle-free events for shoppers.

Promoting dominance strategy

Youme Mart and other stores can be found mainly in western Japan. With 123 stores nationwide (as of February 28, 2022), we are working to maximize our presence by solidifying our regional dominance. Of all the store types, Youme Mall in particular is actively inviting home improvement centers and electronics retailers as its tenants. We are committed to offering services to improve convenience and providing a gathering place for the local people, both as a facility and as a community partner.

Growth Strategies

GMS Business

By inviting younger generations and expanding the current customer base, we aim to further revitalize and advance the GMS business.

Susumu Mizoguchi
Senior Executive Officer and GMS Division Manager

Impact of the COVID-19 Pandemic

Besides changes in the macro-environment represented by the declining birthrate and aging population, the COVID-19 pandemic has caused the GMS business to suffer severely in fiscal 2020 and onward. Confronted with the spread of COVID-19, we prioritized the health and safety of local shoppers and our employees above all else and created an environment that allowed people to visit and work at our stores with peace of mind. However, many people were discouraged from visiting large-scale shopping centers after the state of emergency was declared repeatedly, the stricter measures implemented to prevent the spread, and a request to refrain from unnecessary outings and travel, which resulted in a continuous slowdown of sales especially for apparel in fiscal 2021 as well.

Taking this tough business environment as an opportunity for reform, the Group has worked on achieving additional growth based on the robust management structure established in fiscal 2020. Although the spread of infection continued through the end of fiscal 2021, society is gradually changing its stance to accept the risks and move on. After two years of struggle, we are now ready to take on the challenges and move forward with our plan while prioritizing the health and safety of our customers and employees.



Youme Town Kudamatsu reopened in December 2021, bringing in younger shoppers from a wider area.

GMS Business Revitalization and Advancement

The Izumi Group aims to further revitalize and advance the GMS business by pursuing the following strategies:

- ① Pursue new merchandising strategies
- ② Transform our stores to meet the current and future needs

Given the dramatic changes occurring in consumer behavior since the pandemic, we launched new strategies to respond to the situation.

As our first step of responding to a decline in customers' purchasing opportunities in the Izumi Group's lineup of lifestyle products (apparel and household goods), we will include products that we never handled before in the lineup. From here on, under the new merchandising strategy and being conscious of the trend and with a focus on retail stores, we will expedite transformation of our sales floors to fulfill customers' lifestyle needs.

Next, as for a new goal of our franchise operations, Plugs Market and 3COINS stores, we are planning to increase the number of franchise stores and looking into new franchise opportunities as well. By restructuring directly managed sales areas including franchise stores and the retail space of our tenants, we will maximize the value-added service to be delivered from our stores.

As part of the GMS business revitalization and advancement strategies, these activities aim at encouraging our existing customers and also younger generations to visit our stores more often. We will pursue an ideal state of our GMS business by looking at 10 and 20 years ahead of us.

SM
Business

We are committed to establishing a close relationship with local communities, achieving efficient operations, and creating stores that better meet the expectations of customers.

Tomohiro Kawasaki
Executive Officer and SM Division Manager



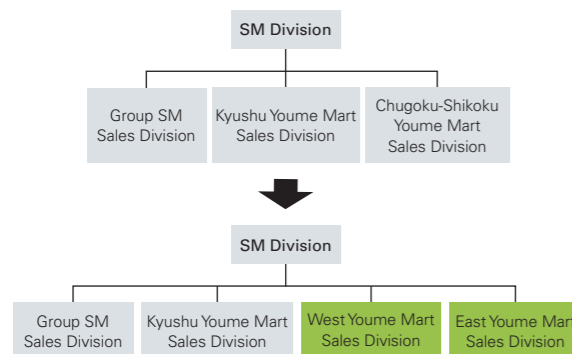
Impact of the COVID-19 Pandemic

Moves to avoid unnecessary outings and travel since fiscal 2020 amid the spread of COVID-19 led to a decline of customers in large-scale shopping facilities targeting people in a wider area. To avoid the risks of infection, 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. Our SM format, Youme Mart stores, worked hard to secure product supplies and the lineup of hygiene-related products, and offered up to 2,000 items at “lifestyle support prices.” We successfully built a robust structure through these efforts combined with kaizen activities* to ensure efficient operations of the stores.

*Activities to identify inefficiencies in our operations and measures to prevent accidents at work.

Reform of divisional structure

■: Newly established divisions after the reform



Sustainable Growth of SM Business

The Group's SM business is made up of 123 stores total (as of February 28, 2022) including Youme Mart operated by Izumi and its four subsidiaries. In fiscal 2021, the Group adopted a new structure where the SM Division manages and oversees the

operations, which were independently managed by each company, and standardized the common product lineup and service quality. While being closely intertwined with the communities, each of the Group companies focused on its store operations. In line with these efforts, we restructured our organizations from three regional units to four units and fortified the management. (See the left figure.)

In addition, our SM store operations have been inefficient because they adopted a GMS business approach optimized for volume sellers, but at a smaller scale. To solve these issues and achieve efficient operations, we defined three store models based on the area size: large stores, medium stores, and small stores. We are committed to creating stores that better meet the expectations of customers through marketing tailored to store types and regions, providing high-quality products and services.

Growth Strategy for Neighborhood Shopping Center (NSC)

Youme Mall Saijo (in Higashihiroshima City, Hiroshima), scheduled to open in fall 2022, will be the first store of this category in Hiroshima Prefecture. Since the store opening, we have been working to adopt digital transformation (DX) in all the store operations along with product and service delivery at stores, which includes community-oriented delivery service called Youme Delivery.

We are also working on the joint demonstration experiment of new mobility service that the local government is eager to deliver in the city. While providing new experiences to customers, we will take part in promoting DX for the community.

Store Rollout Plan in the Medium-term Management Plan



In fiscal 2021, we opened 3 new stores. In fiscal 2022, we plan to open 2 stores (1 Izumi store and 1 subsidiary store).

In fiscal 2022, the Group held off some investments upon considering the profitability attributable to rising construction costs. There may be circumstances where we need to select investment projects carefully in considering the profitability affected by cost increase attributable to external situations including the crisis in Ukraine, and there are risks of a delay or cancellation of store rollout plans.

As a group-wide goal, we plan to increase investments in the NSC format by leveraging the leasing competitiveness in our mainstay GMS business. With an emphasis on the SM business, we will strive to make our stores highly profitable through a synergy of non-food category and prominent specialty stores.

Progress of store rollout plans

Format	Medium-Term Management Plan (stores)	
	Medium-Term Management Plan	Decided
GMS	2	2
NSC	6	4
SM	25	9
Total	33	15

Besides these listed here, there is a plan in the pipeline to open more stores. Also, a full renovation is also underway at the Gion store (in Hiroshima Prefecture) and more locations.

Youme Mall Saijo (NSC) Scheduled to Open in Fall 2022

As of August 2022, we are building Youme Mall Saijo, our new shopping center. Featuring the food supermarket Youme Mart, this open-mall-type commercial facility includes a home improvement center, restaurants, and various specialty stores, all in one location. It is the first Youme Mall shopping center in the Hiroshima area. After the opening of Youme Mall Saijo, the Izumi Group will have 53 stores (including 23 Yours stores) in Hiroshima Prefecture, and 5 stores in Higashihiroshima City.

Higashihiroshima City, where we plan to build the mall, is a college town that has four colleges including Hiroshima University. Aiming to become “an international academic research city, rich in nature, reaching to the future,” the city is working to maximize the citizen’s well-being. While the population is declining in many municipalities, the number of households and the population are increasing each year in Higashihiroshima City, and the city is expected to grow further. We will expand our market share in the Higashihiroshima area by working together with nearby stores, including Youme Town Higashihiroshima, and responding to the needs of local customers.

Exterior and Overview of Youme Mall Saijo



Address (Main)	1189 Saijocho Sukezane, Higashihiroshima, Hiroshima Prefecture	Parking lots (cars)	Approx. 1,480 lots
Scheduled open date	Fall 2022	Parking lots (bicycles)	Approx. 300 lots
Site area	Approx. 96,700m ²	Specialty stores	30 stores including Youme Mart
Store area	Approx. 29,300m ²	Total investment	Approx. ¥4.3 billion

Strategy for Successful Store Rollout



Community-oriented delivery service “Youme Delivery”
We started a service called “Youme Delivery” in Higashihiroshima City, which is the third operation hub following Hiroshima City and Fukuyama City. This service aims to fulfill the needs of local customers, from families with young children to elderly households.



Taking part in shopping support demonstration experiment
We have been taking part in a joint project with Higashihiroshima City, Hiroshima University, and MONET Technologies, Inc. for practical applications of “Autono-MaaS,” which will achieve retail MaaS in self-driving cars. We are providing a shuttle service from designated locations to the Youme Town Gakuenten and so forth.

Using big data in digital transformation (DX) to create new businesses.

The Izumi Group is utilizing customer information obtained from Youme App, Yumeca, etc. to create and provide digital services suited to our new social climate and lifestyles, while remaining attentive to customer feedback (please see the “Results of investment in DX” figure below). We aim to achieve growth by creating new shopping styles and services, new kinds of stores, and indispensable community services. Our current core services are described below.

Core services



Youme Online, our online shopping website
 Youme Delivery, our community-oriented online supermarket
 Youme App, with app payment linked with Yumeca and digital coupon features
 Yumeca (e-money), our digital currency that uses a top-up system. The photo shows Yumeca with credit settlement function (Yumeca Credit).

Results of investment in DX (Planned investment of ¥20 billion in DX over the five-year period from 2021 to 2025)

	1. Investment in DX	2. Initiatives to improve customer satisfaction	3. Results
E-commerce	<ul style="list-style-type: none"> Operation of Youme Online, our online shopping website From June 2021, operation of Youme Delivery, our community-oriented online supermarket delivering fresh foods and general goods to homes within a 15-minute radius of our stores 	<ul style="list-style-type: none"> In addition to our core products, promotion on Youme Online of a “local production, nationwide consumption” initiative for purchasing regional specialty products direct from the producers Achieving increased convenience, including the option to have products ordered online supermarket delivered to homes, or pick them up in our stores (BOPIS) 	<ul style="list-style-type: none"> Youme Delivery operating at 13 stores (as of August 2022). Planned expansion to a total of 16 stores by the end of fiscal 2022
Strengthening customer relations	<ul style="list-style-type: none"> Completion of infrastructure construction of our customer data platform (CDP) 	<ul style="list-style-type: none"> Achieving optimized sales promotion focused on the individual customer by utilizing our CDP through Youme App 	<ul style="list-style-type: none"> Number of Youme App users increased from 1.12 million (at the end of February 2021) to 1.58 million (as of the end of February 2022) Percentage of sales accounted for by app users rose from 31% (in fiscal year ended February 2021) to 37% (fiscal year ended February 2022)
Operational reform	<ul style="list-style-type: none"> Adoption of a predictive supply ordering system (starting with an initial application in our daily foods section) Demonstration experiment and environmental improvement for introduction of multi-functional devices^{*1} 	<ul style="list-style-type: none"> Increasing work efficiency and optimizing stock levels Utilizing surplus time generated by improving our productivity per person-hour for human resources development 	<ul style="list-style-type: none"> In our daily foods sections, labor productivity increased by 10% and product loss improved by 1.4% as compared to the fiscal year ended February 2020 (before these measures were introduced)

Receiving Ministry of Economy, Trade and Industry certification as a “DX-Certified Operator”

In April 2022, Izumi was recognized as a Digital Transformation (DX) Certified Operator under the Ministry of Economy, Trade and Industry’s DX certification framework.



Plans going forward

In our Medium-Term Management Plan, announced in 2021, we set out the goal of investing ¥20 billion in DX over the five-year period up to 2025.

In our stores, we plan to progressively introduce multi-functional devices^{*1} from August 2022, with the goal of increasing employee productivity, and smartphone POS^{*2} (name may be subject to change) from fall 2022, with the aim of increasing both customer convenience and employee productivity. Going forward, we will continue to actively invest in DX and work to increase customer satisfaction and improve efficiency.

^{*1} Devices that combine the functions of a PC and various other devices in a single terminal. They allow a variety of tasks to be completed on a single device, including checking data, ordering, sharing information, and managing employees’ working hours

^{*2} A system allowing customers to scan products and pay at self-checkouts using their own smartphone or dedicated ones borrowed from the store

We have launched sales of zehi, the Izumi Group’s first in-house production brand.



In order to respond to the demands of new markets and diverse consumer values, the Izumi Group rebranded the always-popular flagship products in our prepared foods range and established our in-house production brand zehi alongside newly developed processed goods in both the prepared and fresh foods categories. From April 2022, we began brand rollout across all 187 Izumi Group stores, with a starting range of 20 items. We plan to release over 50 items under this brand by the end of February 2023. All stages of the process, from planning to production to sales, are carried out by Izumi,^{*1} and our safe, secure products are produced in a HACCP^{*2}-compliant plant. In addition, part of zehi sales are put toward supporting “children’s cafeterias,” which are places providing free meals for children in low-income households, in several regions and the brand has reduced CO₂ emissions by switching to different materials for its tray bases, contributing to making our society more sustainable.

^{*1} Including the Izumi Group’s Youme Delica Co., Ltd.

^{*2} A hygiene management method that guarantees product safety and controls particularly critical processes in order to eliminate or minimize hazards at every stage, from receipt of raw materials to outgoing delivery of finished products, based on food product (and similar) companies developing their own understanding of hazards, including contamination with food poisoning-causing bacteria or other foreign matter

Brand message

zehi: a kitchen for your community. Every day, we take our time and work meticulously to make each and every product by hand, motivated by our goal to create delicious food that makes our local customers happy.

The zehi concept

	Seeking out the delicious flavors that can only be achieved through in-house production		A safe production environment that means we can deliver products to our customers with confidence
	Providing attractive products made with local ingredients		Putting forward sustainable and healthy diets

Six items approved for the zehi brand after a taste-testing session with customers from the general public

In June 2022, we asked 10 customers from the general public to taste-test 15 items proposed for addition to the zehi brand. After taking their feedback into account, 6 items were approved to join the zehi lineup. As of the end of July, this brings the number of products to a total of 41 items.

Approved items

- Hakata-style seasoned cod roe baguette
- Pressed sushi topped with Choshi-city mackerel
- Stewed eggplant
- Stewed eggplant topped with grated daikon radish
- House-made shrimp in chili sauce
- House-made sweet and sour pork

Total number of zehi products (as of the end of July)

41 items



A snapshot of our customer tasting session



Sustainability

We will continue to increase our corporate value through Group-wide sustainability management.

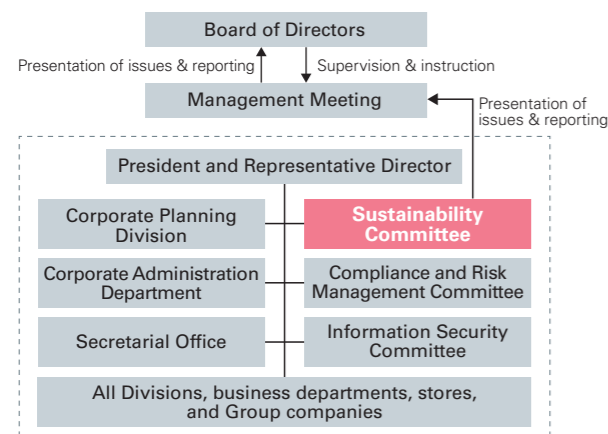
Our approach to sustainability

Izumi aims to achieve a sustainable management policy and growth strategy based around the Youme MIRAI (future) Declaration that we announced in November 2020. In 2021, in order to adapt to the changing times and respond to societal needs, we established our Sustainability Committee—a structure taking membership from multiple departments across the Company and chaired by our President and Representative Director—and formulated our Basic Sustainability Policy. We will continue to work toward sustainability management that allows us to create new value for society through our business activities and pursue mutual sustainability for society, local communities, and our Company.

Basic Sustainability Policy

1. We will formulate a forward-looking long-term vision and work to solve social issues through our business.
2. We will build strong relationships of trust with all of our stakeholders and fulfill our social responsibilities together through dialogue.
3. We will engage in community-based activities and provide long-term value through activities for the improvement and maintenance of better living environments, in order to develop alongside our local communities.

Structure for sustainability promotion



"You me MIRAI (future) Declaration"

Shopping × MIRAI

Utilizing digital technologies for greater convenience and comfort

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

Responding to the "new normal"

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



Community × MIRAI

Creating services for a new era

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



"Youme MIRAI Action" aimed at building a sustainable society

Considering the concepts of a good life and a sustainable society from a global perspective, taking action, and continually supplying new discoveries, things the world has never seen before, and the best products and services in our region, all within the context of significant ongoing changes to the social climate. These are the elements that make up our Youme MIRAI Action. In order to create a secure, practical, and sustainable future where our customers always have smiles on their faces, each and every one of our employees is working toward our set of targets to be achieved by 2030, put forward in our Youme MIRAI Declaration.

The SDGs Handbook distributed to our employees ▶



Targets to be achieved by 2030

CO₂ emissions cut by (relative to FY2013) **50%**

We aim to achieve net zero emissions by 2050. →P32 Environment

Food waste cut by (relative to FY2018) **50%**

Food recycling rate **70%**

→P31 Environment

Toward a sustainable MIRAI

Continuing in our aim to make our stores and business sustainable

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



Plastic shopping bags cut by (relative to FY2018) **80%**

We aim to have cut 100% of plastic shopping bags by 2050.

Proportion of female managers at least **20%**

This goal is one of our targets to be achieved by 2023. →P36 Employees

We are committed to combating global warming and promoting recycling.

Expanded utilization of renewable energy

Izumi has focused on energy conservation for many years. We started “energy creation” in 2015 to take these efforts one step further. From 2021, 19 stores introduced a power purchase agreement (PPA) model to expand the use of renewable energy. Solar panels were installed on the roofs of stores from small to large scales, and we will continue to verify other stores where they can be installed as well.

Promoting energy conservation through innovations in logistics

The Izumi Hiroshima Distribution Center (Nishi Ward, Hiroshima City) plays a central role in constantly improving the efficiency of logistics. Our initiative to deliver mixed loads of dry and chilled products to stores on a single truck has produced significant results. In addition, we use collapsible plastic containers instead of cardboard to conserve resources.



Izumi Hiroshima Distribution Center completed in 2015

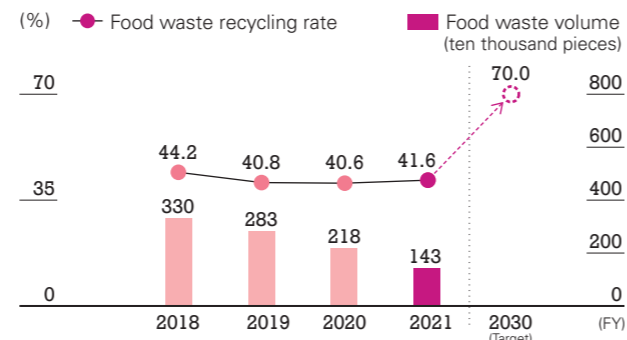
Energy savings from refrigeration and freezer cases

Refrigerator and freezer showcases are essential equipment on sales floors in order to protect the quality and freshness of food products. In all of our stores, we have introduced the “Inverter System,” in which centralized management reduces energy consumption while automatically maintaining the optimal internal temperature at all times.

Enhanced food recycling

We thoroughly sort and manage the food waste from our stores, and effectively utilize it as a resource. At a store in Higashihiroshima City, we have a local partnership with Futaba Sankyo Co., Ltd. to recycle cooking scraps and leftover food into organic fertilizer. In addition, waste oil is recycled into biodiesel fuel at a store in Kyushu.

Food waste recycling rate / Food waste volume



Initiatives for reductions in food loss

Since April 2019, we have been making the amount of food waste visible every day in the meat, fish, fruit and vegetable, and daily foods departments. Awareness of food loss reductions has improved by understanding the amount of waste. We collect and sell products that are about to expire at special counters.

In addition, we are holding the “Mogumogu Challenge” an initiative to promote reductions in food loss. In April 2021, the system was introduced at Youme Marts in Yahata, Nishisakae and Yagi, and if customers collect 10 “Moguni Stickers” attached to products that are about to expire, they can receive a prize. When stickers are put on storefront boards, the store donates 1 yen per sticker to a volunteer-run cafeteria providing free or low-cost meals to children. We collected 448,110 Moguni Stickers in fiscal 2021, and 40 stores have introduced the system (as of March 2022).

As a result of these efforts, we were able to reduce food waste by 57% in fiscal 2021 relative to fiscal 2018.



Mogumogu Challenge information corner in a store

Responses based on TCFD recommendations

Climate change has become a major global issue, with rising average temperatures and an increasing frequency of heavy rainfall and flooding. The Izumi Group recognizes that addressing environmental issues, including climate change, is an important management issue, and is working to strengthen risk management in anticipation of their impact on our business.

In June 2022, we endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)*, which aims to make recommendations about financial market destabilization risks due to climate change. We will disclose information based on these recommendations going forward.



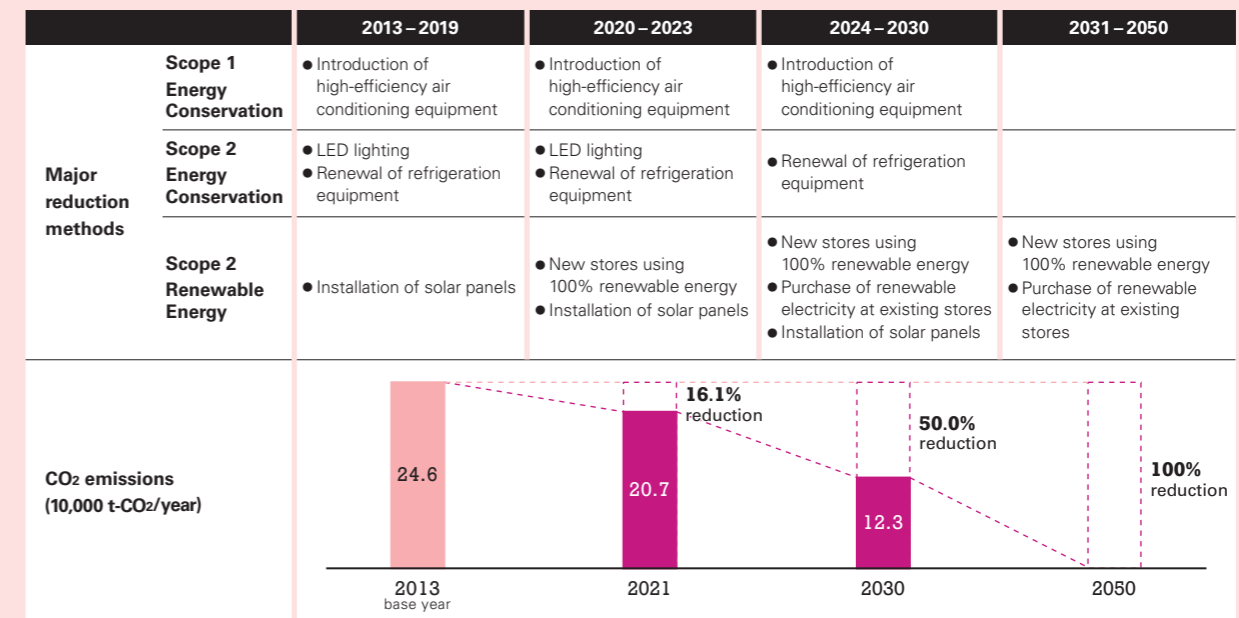
*Organization established in 2015 by the Financial Stability Board, an international organization. It recommends that companies assess the business risks and opportunities arising from climate change, identify the financial impact, and disclose information.

Contents of TCFD Framework

Category	Content
Governance	● Development of monitoring system by the Sustainability Committee and the Board of Directors
Strategy	● Identification of important risks and opportunities in our business ● Consideration of important impacts through scenario analyses
Risk Management	● Implementation of company-wide risk management in cooperation with related departments and Group companies regarding countermeasures against important risks due to climate change
Indicators and Targets	● Setting indicators and targets needed to assess and manage climate change risks and opportunities

CO₂ Emissions Reduction Roadmap

By switching to energy-saving and renewable energy sources, we aim to achieve a 50% reduction from fiscal 2013 levels by 2030 and net zero emissions by 2050.



Equipment, Technology and Activities



We are currently installing electric air conditioning equipment, which will enable us to reduce CO₂ emissions by approximately half as compared with a conventional one powered by heavy oil.



We introduced Enudge®. AI will instruct which energy-saving actions need to be taken in stores, such as “Turn off the air conditioner in the workroom as soon as you finish working.”



We started introducing a power purchase agreement (PPA) model in stores, and are installing solar panels on their roofs.

Improving customer satisfaction by creating exciting spaces.

City library opens at Arao City Mall

In April 2022, the Arao City Library opened within the Arao City Mall, the key tenant of which is Youme Town Arao. In addition to its physical collection of 105,000 books, this state-of-the-art facility boasts a digital book of 7,000 titles. Kinokuniya Company Ltd., appointed administrator of the library, has opened a bookstore next door and is promoting the joys of reading throughout the local community.

Arao City, Kinokuniya, and the operating company Arao City Plan KK (partially managed by Izumi) collaborated on preparations for the library's opening on the basis of the cooperation agreement the three organizations concluded in 2020. Youme Town Arao is taking the opportunity of the library's opening to further strengthen its cooperation with all stakeholders and enhance its contribution to local communities.



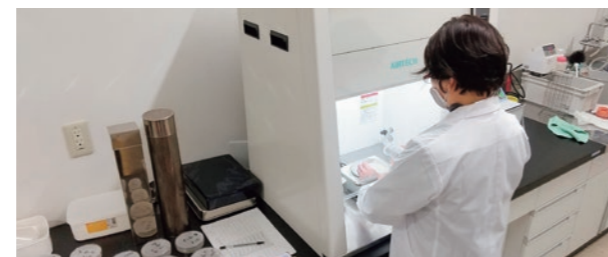
The library, with decorations inspired by the tidal flats found in the local area

Childcare support hub opens in-store

In December 2021, the Fun Fan Hidamari Community Cafe opened in Youme Town Higashihiroshima. Run by registered NPO Hidamari, the cafe bustles with parents and children spending time together. The cafe is popular, with parents commenting on the convenience of being able to combine a visit with shopping. During dedicated "coffee hours," the cafe is open to the wider public in addition to parents with children and functions as a hub for exchange between people from all areas of the community.

Constructing a quality control system

In order to ensure thorough quality control for our food products, employees conduct checks of freshness, product origin, best-before dates, and other metrics every day at 11 a.m. and 3 p.m. without fail. We ensure management of product freshness by assigning product quality checkers to all our stores and increasing awareness of relevant issues through frequently held workshops on subjects such as labeling. In order to deliver safe and secure products to our customers, we have also established a laboratory at Izumi and are working to maintain quality control using scientific testing.



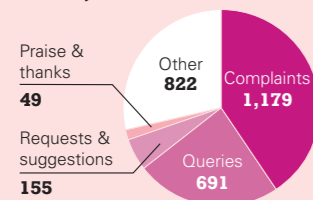
Quality control inspection office by the Head Office

Incorporating customer feedback into our store management

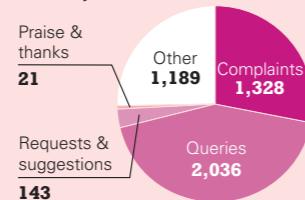
Against the backdrop of diversification in consumer lifestyles, our customers' feedback is an important asset for the Izumi Group. With this in mind, we consider each and every piece of feedback we receive via our website, toll-free calls to our Head Office's Customer Advisory Office, and the Customer Feedback forms available in our stores, and incorporate them into our store management.

Customer feedback received in FY2021

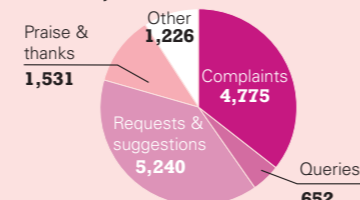
Through our website
Total: **2,896**



Toll-free calls
Total: **4,717**



In-store
Total: **13,424**



Promoting the creation of hubs that will invigorate local communities.

Managing the Izumi Maple Reds, a corporate sports team

The members of the Izumi Maple Reds, a corporate women's handball team, all work in Izumi Group companies. Balancing work and sporting events, they are putting everything they have into their efforts on both fronts. Three of them were selected to represent Japan at the Tokyo Olympics in 2021 and threw themselves into competing on the international stage. The team is meeting with success, including taking second place in the Japan National Championships in January 2022 and qualifying for the Japan Handball League playoffs. In addition, they are helping to promote sports in local communities, running the Izumi Maple Reds Juniors, aimed at elementary and middle school students, and teaching handball classes at elementary schools.

Sponsored 60th anniversary game held

We support the Hiroshima Toyo Carp as an official sponsor, utilizing the power of sport to bring new energy to Hiroshima, where Izumi was founded. Our "you me" logo features on the scoreboard, displaying our support for the dreams ("yume" in Japanese) of the team and city residents.

A Youme Town-sponsored game was held on May 5, 2021 to celebrate the 60th anniversary of Izumi's founding. We also gave our support to the 2021 Carp Fan Appreciation Day on November 23.

Providing evacuation sites during emergencies

On August 13, 2021, record-breaking heavy rains caused flood damages over a wide area in the Yoshida neighborhood of Akitakata City in Hiroshima Prefecture. Youme Town Yoshida acted as an evacuation site for local customers, keeping parking lots and restrooms open 24 hours. We also provided prepared food, drinks, and other items free of charge. Stores on the first floor suffered flooding, but we were able to quickly complete repairs and re-open our food section at noon the following day. We made every effort to keep community lifelines open.

In the same month, torrential rains caused disaster in many areas across Western Japan. We responded with fund-raising efforts in support of those affected in 195 stores between August 26 and September 12, 2021. We presented the 1,034,654 yen raised to the Japanese Red Cross Society.

Operating an employment support center

In November 2021, the Hamada office of the Shimane Employment Support Center opened in Youme Town Hamada. This facility, run by the Shimane Prefecture Workers' Welfare Council, supports women and middle aged and older individuals

to look for work and advance their careers. To help parents make use of the center, it also includes a kids' play area.

Concluding agreements with local governments and other authorities in areas where Izumi stores are located

We are furthering cooperation with local governments and other authorities in various locations in order to collaborate on solutions to local issues, such as promoting industry and measures to deal with Japan's aging population and declining birthrate. In January 2022, Youme Town Yamaguchi concluded an agreement with the Ouchi Federation of Community Associations, engaging to provide evacuation sites as a form of community-based disaster response.

Overview of agreements with local governments and other authorities

Prefectural names are given in parenthesis.

Comprehensive agreements		Agreements to supply goods in the event of disaster	
Prefecture/City/University	Date agreed	City/facility	Date agreed
Hiroshima Prefecture	Sep. 6, 2011	Ibara City (Okayama)	May 8, 2012
Kumamoto Prefecture	Dec. 20, 2011	Yame City (Fukuoka)	Feb. 1, 2013
Hatsukaichi City (Hiroshima)	Jun. 6, 2015	Saga City (Saga)	Mar. 21, 2013
Yamaguchi Prefecture	Sep. 1, 2016	Ukiha City (Fukuoka)	Apr. 1, 2013
Shunan City (Yamaguchi)	Sep. 30, 2016	Otake City (Hiroshima)	Sep. 25, 2013
Hiroshima University (Hiroshima)	Apr. 19, 2017	Yatsushiro City (Kumamoto)	Aug. 5, 2013
Munakata City (Fukuoka)	Oct. 26, 2017	Shunan City (Yamaguchi), including evacuation facilities	Mar. 14, 2014
Iwakuni City (Yamaguchi)	Oct. 28, 2021	Tamana Central Hospital (Tamana City, Kumamoto)	Jun. 1, 2014
Takahashi City (Okayama)	May 20, 2022	Hatsukaichi City (Hiroshima)	Jun. 6, 2015
Takamatsu City (Kagawa)	May 31, 2022	Yamaguchi Prefectural Police Headquarters (Yamaguchi)	Oct. 1, 2016
Agreements to supply goods in the event of disaster		Agreement for provision of evacuation facilities	
Prefecture/City/Town	Date agreed	Prefecture/City/Town	Date agreed
Kagawa Prefecture	Nov. 14, 2005	Nakatsu City (Oita)	Aug. 25, 2011
Fukuoka Prefecture	Mar. 28, 2006	Aizumi Town (Tokushima)	Nov. 21, 2011
Hiroshima Prefecture	Oct. 5, 2006	Kure City (Hiroshima)	Feb. 20, 2012
Saga Prefecture	Nov. 27, 2006	Beppu City (Oita)	Apr. 27, 2012
Kumamoto Prefecture	Jan. 10, 2007	Otake City (Hiroshima)	Nov. 27, 2012
Yamaguchi Prefecture	Jan. 18, 2007	Hatsukaichi City (Hiroshima)	Jun. 6, 2015
Shimane Prefecture	Mar. 20, 2007	Hiroshima City (Hiroshima), LECT mall only	Jun. 7, 2017
Nagasaki Prefecture	Sep. 21, 2007	Kudamatsu City (Yamaguchi)	Oct. 5, 2018
Kikuyo Town (Kumamoto)	Feb. 1, 2007	Fukuyama City (Hiroshima)	Jun. 28, 2019
Koshi City (Kumamoto)	Jun. 1, 2007	Ongawa Town (Fukuoka)	Dec. 1, 2011
Takamatsu City (Kagawa)	Nov. 21, 2007	Yukuhashi City (Fukuoka), including evacuation facilities	Feb. 1, 2012
Hofu City (Yamaguchi)	May 22, 2008	Ouchi Federation of Community Associations (Yamaguchi)	Jan. 31, 2022
Setouchi City (Okayama)	Jun. 1, 2008		
Marugame City (Kagawa)	Nov. 17, 2008		
Munakata City (Fukuoka)	Apr. 1, 2009		
Omuta City (Fukuoka)	Sep. 1, 2009		
Kumamoto City (Kumamoto)	May 24, 2010		
Okawa City (Fukuoka)	Jul. 21, 2011		
Aizumi Town (Tokushima)	Nov. 21, 2011		
Ongawa Town (Fukuoka)	Dec. 1, 2011		
Yukuhashi City (Fukuoka), including evacuation facilities	Feb. 1, 2012		
Hiroshima City (Hiroshima)	Feb. 22, 2012		

(As of May 31, 2022)

Pursuing further development together with our tenants.

Promoting industry with Plugs Market in an agreement with the city of Kudamatsu and Tokyu Hands

In September 2021, we concluded an Industry Promotion Agreement with the city of Kudamatsu and Tokyu Hands, engaging to collaborate in the aim of promoting industry and revitalizing the city's local communities. We have taken tangible action within this agreement with the opening of a Plugs Market (a new Tokyu Hands line of business) in Youme Town Kudamatsu on December 1. We are operating the store under a franchise agreement, and both its selection of local products from Kudamatsu City and the rest of Yamaguchi Prefecture and its range of household goods selected by Tokyu Hands are selling well. Themed around "energizing the local area," the store is drawing attention as a place to discover and communicate what the region has to offer.



A snapshot of Plugs Market

Running 3COINS+plus franchises

In February 2021, we entered into a business partnership with PAL Co., Ltd. On the basis of this partnership, we are operating stores in the 3COINS+plus brand developed by PAL under a franchise agreement. Stores opened in Youme Town Yumesaito and Youme Town Kudamatsu are both performing well. Their wide range of goods mostly priced at 300 yen is becoming very popular.



Snapshot of a line at Youme Town Kudamatsu

Supporting recruitment efforts in-store and on our website

Izumi is engaging in initiatives to match local people with our tenants. We are holding in-store Job Consultation Sessions.

Information on job vacancies with our tenants is available on our website.



Working hours and other conditions are described online

Setting up suggestion boxes at our Head Office for the promotion of fair trading

Izumi has set up suggestion boxes and Izumi Hotline at our Head Office in order to promote fair trading. Feedback or inquiries on business transactions, the manners of our employees, and other areas is incorporated into employee training and store management.



A suggestion box on the second floor of our Head Office

Support to harness the demand for takeout

With many of our customers looking to purchase takeout, Youme Town Hatsukaichi has opened a box lunch and takeout counter. We are also creating store-specific takeout menus for several other stores, which we are introducing on our website and with fliers.



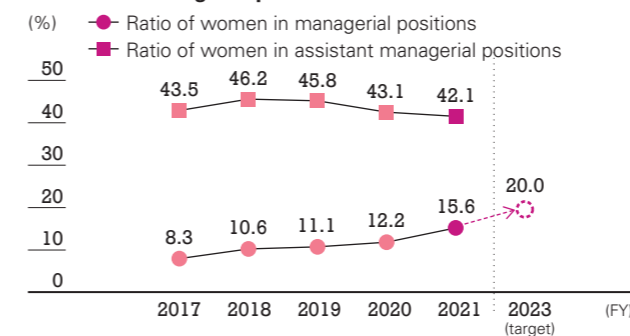
The box lunch and takeout counter at Youme Town Hatsukaichi

Striving to create work environments that support employee growth.

Promoting women's active participation in the workforce

Izumi launched the Youme Can Project (a project promoting the advancement of women) in 2014 (for more information, please see p19-20). As part of this project, we conduct female leadership development training for female employees interested in managerial positions, thereby providing support for them to improve their management skills.

Women in managerial positions



Providing company-run childcare facilities

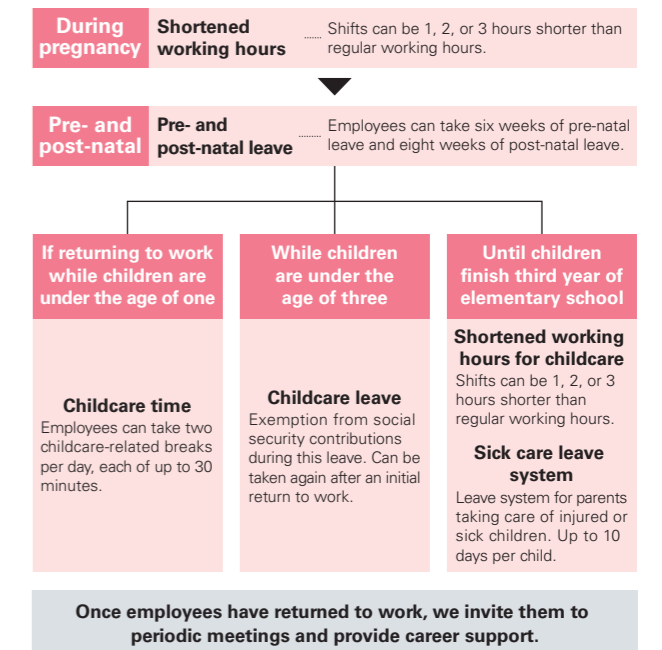
We provide company-run childcare facilities at Youme Town Hikinomori and Youme Town Hatsukaichi.

The Youme Jungle Nursery, which opened on April 1, 2021 in Youme Town Hatsukaichi, is a green, open space mixing design inspiration from Scandinavia and jungle habitats. It provides care for children under elementary school age, starting at two months. Open every day except Wednesday (including the weekend), it is very popular with its users.

Expanding our support systems and changing mindsets to back work-life balance

Izumi has been promoting affirmative action for gender equality since 1995, supporting the balancing of work with childcare and caregiving responsibilities. In addition to our support for female employees, we are also expanding and adding to our work-life balance support system for male employees, including the addition of leave to attend the birth of their children and couples' childcare leave. To ensure company-wide awareness of these support systems, we have summarized them in our Moms and Dads Support Handbook and provide information about them on our website. We also hold seminars for managers on encouraging male employees to take childcare leave and are working to change mindsets at this level.

Childcare leave system



Human resources development

The Izumi Group has set up a career system under which highly capable and motivated personnel are assigned to managerial positions and able to demonstrate their strengths regardless of gender.

We are also making efforts to enhance our training system. Examples include lectures from retired members of the Company and sharing information about our initiatives for the SDGs at both Izumi University, which provides development for senior management (for more information, please see p19-20) and our Managerial Academy, which aims to develop skills and change mindsets among the managers who are key to our store development. Additionally, the Izumi Food Products Training Center, completed in 2021, has a workshop for training in practical skills related to prepared foods, fresh fish, meats, and fruits and vegetables, where employees can learn skills such as cutting and arrangement in an environment that mimics an in-store setting.

Izumi holds a variety of competitions to give employees the chance to further develop their skills and ambitions. In February 2022, we held a Food Product Skills Competition, with judges evaluating photographs of entries from a total of 60 participants.

In addition, we have a regular case-study presentation series for our partner employees (part-time employees) titled Youme Inspirational Stories. These offer the opportunity to make a presentation about cases in which employees have utilized their own awareness of situations around them and, together with their colleagues, brought change to their workplaces. Particularly stand-out cases are incorporated into store management, including by promoting adoption of the same measures in other stores.

List of Executives



Directors

1 Yasuaki Yamanishi

President and Representative Director

Dec. 1977 Joined the Company
 May 1981 Director of the Company
 May 1982 Managing Director of the Company
 Apr. 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
 Mar. 1993 President and Representative Director of the Company (current position)

2 Tatsuya Mikamoto

Deputy President and Director

Apr. 1981 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
 Apr. 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
 Jul. 2014 Senior Managing Director, Administration Division Manager and Group Administrative Controller of the Company
 Jul. 2020 Senior Managing Director and Administration Division Manager of the Company
 Mar. 2021 Director and Senior Managing Executive Officer and Administration Division Manager of the Company
 Mar. 2022 Deputy President and Director of the Company (current position)

3 Shigeki Machida

Director and Senior Managing Executive Officer

Apr. 1991 Joined the Company
 Jun. 2013 Executive Officer and Department Manager of Kyushu zone of the Company
 Feb. 2014 Executive Officer and Clothing Business Department Manager of the Company
 Nov. 2020 Senior Executive Officer and Corporate Planning Department Manager of the Company
 May 2021 Director and Corporate Planning Department Manager of the Company
 Mar. 2022 Director and Senior Managing Executive Officer and Corporate Planning Department Manager of the Company (current position)

4 Yuichiro Kajihara

Director and Senior Managing Executive Officer

Mar. 1987 Joined the Company
 May 2007 Director and Sales Department Manager of the Kyushu zone of the Company
 Mar. 2016 Senior Managing Director and Sales Division Manager of the Company
 Mar. 2021 Director and Senior Managing Executive Officer and GMS Division Manager of the Company
 Mar. 2022 Director and Senior Managing Executive Officer and Tenant Division Manager of the Company (current position)

5 Hiroshi Kuromoto

Director

Apr. 1982 Joined the Company
 Aug. 2003 Department Manager of the Tenant Administration Department of the Company
 Jan. 2009 Executive Officer and Development Division Manager of the Company
 May 2020 Director and Development Division Manager of the Company (current position)

6 Akio Nitōri

Director [Outside Director]

Mar. 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)
 Feb. 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)

7 Kunihiko Yoneda

Director [Outside Director]

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

8 Naomi Aoyama

Director [Outside Director]

Apr. 1989 Joined Toshiba Corporation
 Apr. 2000 Joined eLife Inc., General Manager of New Business Development Department
 Jun. 2004 Established Stylebis Inc., Representative Director (current position)
 Jun. 2005 Outside Director of Kenko.com, Inc.
 Jun. 2012 Retired from Outside Director of Kenko.com, Inc.
 Mar. 2017 Outside Director of Senshukai Co., Ltd.
 May 2021 Outside Director of the Company (current position)
 Mar. 2022 Retired from Outside Director of Senshukai Co., Ltd.

Audit & Supervisory Board Members

9 Masami Kawanishi

Full-time Audit & Supervisory Board Member

Apr. 1978 Joined The Hiroshima Bank, Ltd.
 Jul. 2006 General Manager of Kanayamacho Branch of The Hiroshima Bank, Ltd.
 Apr. 2009 Joined the Company, Executive Officer and Finance Department Manager
 Apr. 2010 Executive Officer, Finance Department Manager and Accounting Department Manager of the Company
 Apr. 2021 Finance and Accounting Department Advisor of the Company
 May 2021 Full-time Audit & Supervisory Board Member of the Company (current position)

10 Tomoko Horikawa

Audit & Supervisory Board Member [Outside Auditor]

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

11 Hirotaka Okada

Audit & Supervisory Board Member [Outside Auditor]

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

Executive Officers

Managing Executive Officer
 Yojiro Fujii

Senior Executive Officers
 Takashi Tokuda
 Susumu Mizoguchi
 Daisuke Yamanishi

Executive Officers
 Keishi Okamoto
 Shinsuke Numamoto
 Tomohiro Kawasaki

Masamichi Yamano
 Atsushi Kobayashi
 Mutsuo Abe

Kiminari Taira
 Shinsaku Hirose
 Taikou Miyatsugu

Analysis and evaluation of effectiveness of the Board of Directors

In order to analyze and evaluate the overall effectiveness of our Board of Directors, the Izumi Group surveys all directors and Audit & Supervisory Board members by means of a questionnaire. Based on the results of this questionnaire, the Board of Directors discusses the Board's composition, matters discussed therein, its management, response to any issues raised, and any other relevant matters.

Process for evaluating effectiveness of the Board of Directors

- July 2021: Implementation of a questionnaire to evaluate the effectiveness of the Board of Directors
- September 2021: Report on the results of the questionnaire and sharing of issues with the Board of Directors
- September to December 2021: Discussions on issues at meeting of the Board of Directors

Overview of the results of analysis and evaluation and response going forward

Our analysis and evaluation have allowed us to confirm that the Company's Board of Directors engages in lively debate on important matters and generally maintains an effective decision-making process. On the other hand, our evaluation also raised points that must be recognized as important issues for future discussion, including the Board of Directors' management methods (such as increasing opportunities for the discussion of management strategies and similar issues), the Company's development plan for successors, restructuring our Medium-Term Management Plan, and the composition of the Appointment & Remuneration Committee. We will work to improve issues concerning the evaluation of effectiveness of the Board of Directors through further discussion.

Appointment and dismissal of executives

Appointment and dismissal of executives is decided at Izumi following deliberations and reporting by the Appointment & Remuneration Committee and the deliberation of the Board of Directors.

Assignment of senior management roles (including CEO) and appointment of candidates for the position of internal director are guided by the keywords of "innovation, taking on challenges, and speed," and made on the basis of extensive working experience and knowledge, as well as excellent leadership. We aim to appoint those who possess high ethical standards, an awareness of compliance, and the capacity to perform their duties in order to maximize the Company's corporate value. For the position of CEO, we are working to train a successor with diverse management perspectives and specialist knowledge, in order to appoint a successor with the right qualities to lead our Company.

Candidates for the position of outside director are nominated on the basis of a high level of knowledge and extensive experience in different areas of expertise, as well as their capacity to actively put forward proposals and participate in free and open discussion from a neutral and objective

perspective, including commenting on risks such as those related to the new store investments essential for the Company's growth strategy.

Candidates for the position of Audit & Supervisory Board member are nominated on the basis of their specialized knowledge and experience and capacity to conduct fair audits from a neutral and objective perspective, with decisions subject to approval from the Audit & Supervisory Board.

Nominations of candidates for the positions of independent outside director and independent outside Audit & Supervisory Board member are decided with reference to the criteria prescribed by the Tokyo Stock Exchange concerning the appointment of independent executives.

Dismissal of senior management (including the CEO) is decided after consideration by the Board of Directors following deliberation and reporting by the Appointment & Remuneration Committee, in cases including but not limited to those in which the individuals concerned are no longer able to fulfill the above-mentioned essential conditions for senior management or are objectively judged to have significantly damaged the Company's corporate value by failing to comply with regulations or similar.

Training for directors and Audit & Supervisory Board members

A variety of training opportunities are held regularly for our directors. These include training with experts concerning subjects including legal affairs; training with external instructors on leadership, management strategy, and more; and study sessions about growth strategy are held regularly. 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, including via online seminar.

We provide our outside directors with explanations on the Group's businesses and particular issues, and offer opportunities for training by external institutions on the roles and responsibilities required of outside directors by wider society. Furthermore, our outside directors 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, the Full-time Audit & Supervisory Board member attends training events organized by the Japan Audit & Supervisory Board Members Association and external financial 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 financial 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.

Cross-shareholdings

As a general rule, it is the Company's policy not to hold cross-shareholdings, and we will continue to gradually reduce those we currently hold. The Board of Directors will consider, as necessary and from the perspective of our medium- to long-term plan, whether it is advisable to retain any shares held, and disclose the results of this review. Exercising the voting rights attached to shares held is carried out on the basis of judgments as to whether the proposals in question will contribute to sustainable growth and medium- to long-term improvements in corporate value for the Company concerned, and whether they could damage shareholder value.

Director remuneration

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

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 (end-of-year bonuses and other remuneration), 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.

Details and calculation method for remuneration

Basic remuneration	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.
Performance-based remuneration	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.
Non-financial compensation	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.

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.

Compliance and risk management systems

The Compliance and Risk Management Committee is administered by the Corporate Administration Department, which is independent from other divisions, and meets once a month. Compliance and Risk Management Committee members selected from each division of the Company and each of our Group companies attend these meetings to report on and discuss the Group's overall compliance training and risk monitoring activities. The results of these discussions are reported to our directors and Audit & Supervisory Board members.

The Izumi Group has also set out the Charter of Conduct, which we use as a code of conduct to ensure compliance with laws and regulations in our business activities by the directors and employees of the Company and our Group companies. To improve compliance with the law and raise awareness of this issue, the Company has set up the "Izumi Hotline" internal reporting system. The Company is also committed to preventative measures against the various risks arising in the Company and 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. This puts in place a system allowing an Emergency Response Headquarters, headed by the President and Representative Director, to be established immediately in the event of an earthquake or other emergency.

Information security

In order to provide products and services as part of our retail and retail-peripheral operations, we handle information assets and the personal data of our customers, business partners, and other parties. We will implement all possible measures for the protection of information covered by our policies, and have established an Information Security Committee aiming to achieve preventative measures against risks such as loss, destruction, falsification, or leaking of information. We have appointed individuals responsible for information security and an administrator in each division, and are building and operating a system able to guarantee effective information security measures.

Eleven-Year Summary

	FY2/2012	FY2/2013	FY2/2014	FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019	FY2/2020	FY2/2021	FY2/2022
Operating results (million yen)											
Operating revenue	515,875	535,510	556,852	579,739	668,784	702,121	729,857	732,136	744,349	679,778	676,800
Net sales	491,955	510,438	530,871	552,746	638,754	670,253	696,266	697,679	709,455	645,672	643,280
Operating profit	24,254	27,949	29,100	30,330	31,912	35,670	38,487	35,273	31,888	35,781	34,717
Ordinary profit	23,539	27,102	28,446	29,767	31,102	35,688	38,208	35,099	31,979	36,078	34,696
Profit attributable to owners of parent	11,062	16,187	17,384	17,360	18,766	17,015	26,932	23,488	19,953	23,053	23,204
Cash flow from operating activities	25,561	27,196	25,683	52,246	13,553	33,104	42,592	33,642	57,681	48,320	18,577
Cash flow from investing activities	△9,682	△20,356	△19,948	△20,897	△26,071	△19,938	△29,067	△19,101	△16,693	△6,633	△14,246
Cash flow from financing activities	△21,934	△6,272	△5,501	△25,159	12,956	△16,252	△15,477	△14,793	△40,142	△25,361	△18,016
Cash and cash equivalents at end of period	6,260	6,862	6,800	12,990	13,429	10,342	8,389	8,136	8,982	25,306	11,621
Depreciation	13,854	13,464	12,827	12,902	15,044	15,691	16,171	15,862	16,164	15,872	16,138
Amortization of goodwill	—	28	114	151	454	1,078	997	822	785	737	532
Capital investment	15,139	18,705	30,813	24,451	21,435	27,727	15,869	21,507	17,514	12,450	14,118
Financial status (million yen)											
Total assets*1	370,377	379,824	397,071	432,416	468,026	476,885	479,867	484,876	490,106	489,692	468,798
Net assets	125,389	126,139	130,178	145,709	157,851	171,963	194,851	211,546	226,264	245,411	262,433
Shareholders' equity	112,302	115,380	120,211	134,818	147,648	160,566	182,956	199,897	214,345	232,495	248,689
Interest-bearing liabilities	158,106	167,471	173,999	157,922	193,018	182,146	171,995	162,974	128,928	109,414	99,366
Financial indicators											
Operating profit margin	4.9%	5.5%	5.5%	5.5%	5.0%	5.3%	5.5%	5.1%	4.5%	5.5%	5.4%
Return on equity (ROE)	9.4%	14.2%	14.8%	13.6%	13.3%	11.0%	15.7%	12.3%	9.6%	10.3%	9.6%
Return on assets (ROA)	6.4%	7.2%	7.3%	7.2%	6.9%	7.6%	8.0%	7.3%	6.6%	7.4%	7.2%
Equity ratio	30.3%	30.4%	30.3%	31.2%	31.5%	33.7%	38.1%	41.2%	43.7%	47.5%	53.0%
Dividend payout ratio	16.2%	18.4%	18.2%	21.1%	24.4%	27.8%	20.0%	24.4%	28.7%	25.8%	26.5%
Per-share indicators (yen)											
Book value per share (BPS)	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	3,479.26
Earnings per share (EPS)	123.74	207.01	236.55	241.60	261.96	237.45	375.83	327.79	278.45	321.72	324.45
Dividend per share (DPS)	20.00	38.00	43.00	51.00	64.00	66.00	75.00	80.00	80.00	83.00	86.0
Non-Financial Information											
Total number of outstanding shares at the end of period (unit: shares)	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	71,665,200
Number of treasury shares at end of period (unit: shares)	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	187,562
Number of stores at end of period (Group) (unit: stores)*2	102	111	121	156	217	198	200	202	197	194	194
Number of stores at end of period (Izumi Co., Ltd. only) (unit: stores)	88	92	102	103	103	105	110	112	111	109	107
Net sales of existing stores, year-on-year (Izumi Co., Ltd. only)	101.2%	100.1%	102.7%	101.8%	101.4%	101.5%	99.2%	99.4%	99.1%	89.7%	101.1%
Cumulative total of Yumeca (e-money) cards issued (unit: 10,000 cards)	43	116	350	475	551	617	684	752	811	852	899
Number of full-time employees (unit: individuals)	3,334	3,344	3,151	3,467	4,164	4,072	4,189	4,358	4,455	4,443	4,399
Part-time employees (unit: individuals)*3	6,950	7,088	7,297	8,503	10,225	10,761	11,263	11,234	11,457	11,149	10,945

*1 The Izumi Group adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) at the beginning of FY2/2020. Accordingly, these amendments were retroactively applied to figures for FY2/2019.

*2 Total number of Izumi Co., Ltd. stores plus four food supermarket subsidiaries. *3 Annual average of employees calculated at full-time equivalent.

