

Integrated Report 2023



IZUMI CO., LTD.

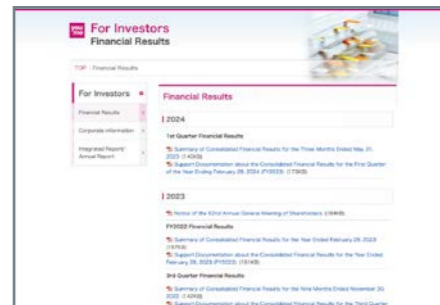


IZUMI CO., LTD.

3-3-1 Futabanosato, Higashi-ku, Hiroshima, 732-8555, Japan
<https://www.izumi.co.jp/> (in Japanese)

Our IR website

https://www.izumi.co.jp/corp/e_ir/

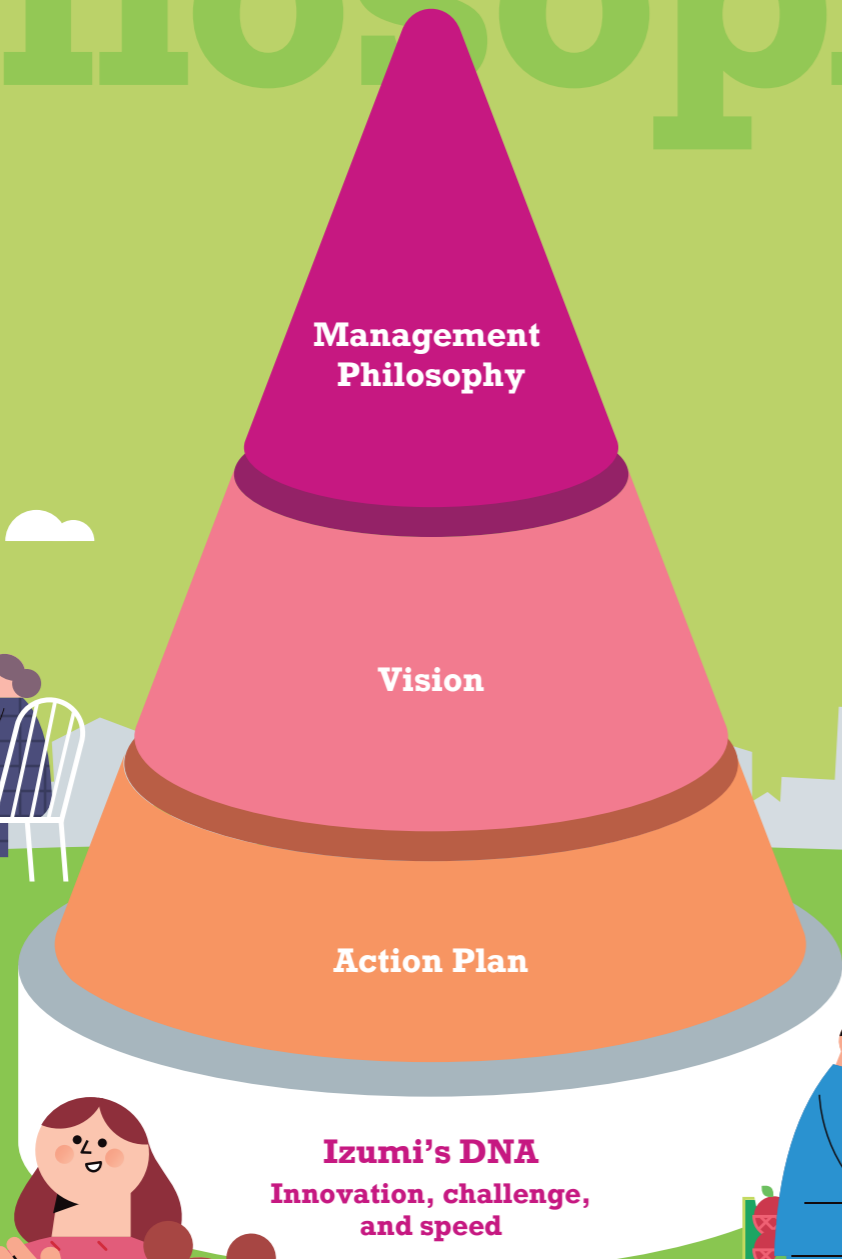


Our sustainability website

<https://izumi.co.jp/sustainability/> (in Japanese)



Management philosophy



**Management
Philosophy**

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

Vision

**Four Dreams
2030 Long-Term Vision**

Action Plan

1. We prioritize our *sense of gratitude*.
2. We carry out our work *with pride*.
3. We carry out our work *both quickly and carefully*.
4. We promise *safety and security*.
5. We are there for our *customers*.

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Editorial Policy

Our Integrated Report aims to provide our diverse range of stakeholders with a deepened understanding of the Company. This issue of our Integrated Report clearly sets out the Izumi Group's sustainability management-centered growth strategy and our vision for the future, as well as senior management thinking, all aimed at achieving the aspirations of our 2030 Long-Term Vision.

Reporting Period

March 1, 2022 – February 28, 2023 (including some activities after March 2023)

Reference Guidelines

- The IFRS Foundation, International Integrated Reporting Framework
- GRI Sustainability Reporting Standards
- Ministry of Economy, Trade and Industry, Guidance for Collaborative Value Creation

Date of Publication

September 2023

Realizing a wide range of value creation while inheriting the three "DNAs"

DNA & History

DNA 1

Innovation

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

In 1950, our founder established a clothing wholesaler, Yamanishi Shoten Co., Ltd., against the background of the increase in demand for clothing. In the 1960s, we were the third-largest growth company in Japan in clothing manufacturing and wholesale, but looking ahead to the future, we entered the unknown world of retail. We opened our first Izumi supermarket as the first comprehensive supermarket in the Chugoku and Shikoku regions. Instead of being satisfied with the current situation, we have continued to take the next step to carve out our future.



DNA 2

Challenge

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

In the early 1970s, travel by bus and train was the main mode of transportation, and stores in downtown areas and in front of stations were doing well. However, our founder predicted that the popularization of automobiles would change people's lifestyles, and in 1973 he opened a large-scale store called the "Gion Shopping Center" (currently Yume Terrace Gion) in the suburbs with parking lots. On the day of opening, the area was so crowded that there was a heavy traffic jam. Actions that do not fear failure will lead to the creation of new value.



DNA 3

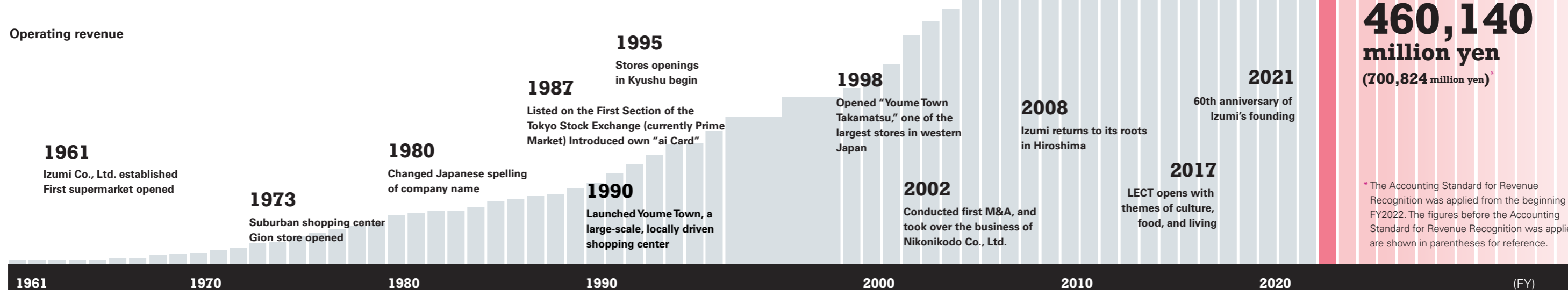
Speed

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

We had been considering opening stores in Okayama and Hyogo in order to develop our dominance strategy of store openings in new regions. However, from the perspective of future growth, it became clear that Kyushu has higher population density in some areas and less competition when comparing data between east and west. We also decided to expand into Kyushu due to the low land prices and construction costs. We take immediate action when we see good data. We value that speed.



Operating revenue



Fiscal 2023 (forecast)
476,600 million yen
(730,000 million yen)

Fiscal 2022
460,140 million yen
(700,824 million yen)*

* The Accounting Standard for Revenue Recognition was applied from the beginning of FY2022. The figures before the Accounting Standard for Revenue Recognition was applied are shown in parentheses for reference.

Making the most of our three strengths to realize our four dreams

Over the course of more than half a century since our founding, we have acquired and nurtured three strengths that support our growth: regional infrastructure, on-site capabilities, and ability to respond to change. In the future, we will continue to further refine our 3 strengths and realize our 4 dreams in order to become the top store in the region.

3 Strengths

Regional Infrastructure

We are working to increase our brand power and maximize our market share in the Chugoku, Shikoku, and Kyushu regions by developing stores through our dominant strategy. We will continue to build a solid regional infrastructure by opening new stores, and M&A and alliances.

On-site Capabilities

In order to become the top store in the region, we have adopted a store-oriented approach where store general managers, store managers, and staff act autonomously in managing stores in ways that best suit the region. As a result, we are able to flexibly and promptly renew our product lineup and expand our services according to the local environment and circumstances.

Ability to Respond to Change

We meet the diverse needs of our customers in three business formats: shopping centers, food supermarkets, and neighborhood shopping centers. In addition, we continue to respond to the changing times by investing in the revitalization of existing stores, and scrapping and building.

Local communities

We will create economic benefits through job creation, local production for local consumption activities in collaboration with local governments, shopping districts, NPOs, and other organizations, and cultural rediscovery. We will also serve as a lifeline for local communities in the event of a disaster.

Customers

We will be successful in making customers' lives more convenient and comfortable by providing high-quality products and services with safety and security.

Izumi's 4 Dreams

The Izumi Group has dreams. They are the four dreams that have grown together with Youme Town: communities, customers, tenants, and employees. We want to provide "the products new to the region" and "the best products in the region," while connecting and supporting everyone there. This creates new value through surprises and excitement. We will become the top store in the region while connecting broadly and deeply with communities, customers, tenants, and employees. Our dreams will never stop growing larger.

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.

Tenants

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

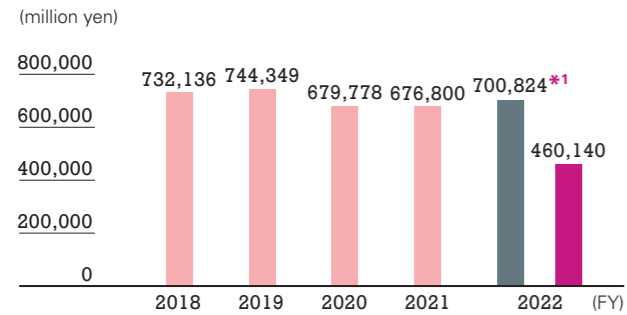


Financial Highlights

*1 The Accounting Standard for Revenue Recognition was applied from the beginning of FY2022. For reference, the figures before the application of this accounting standard are shown.
*2 The figures for FY2022 are not affected by the change in revenue recognition standards. In addition, the operating profit margin and profit attributable to owners of the parent ratio has been changed from the previous "net sales ratio" to "operating revenue ratio."

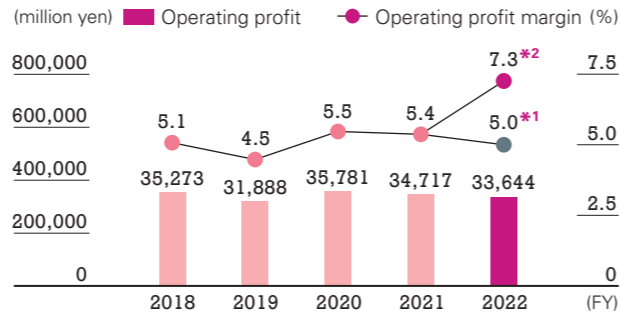
Operating revenue

460,140 million yen



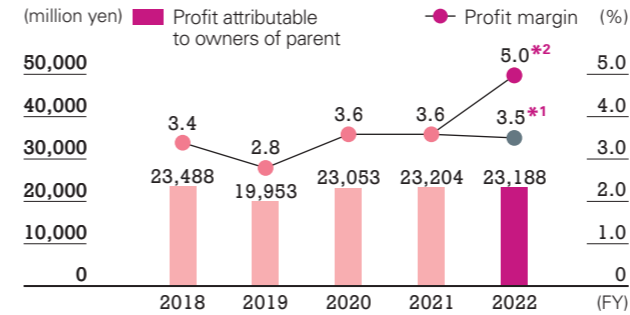
Operating profit / Operating profit margin

Operating profit **33,644 million yen** Operating profit margin **7.3%**



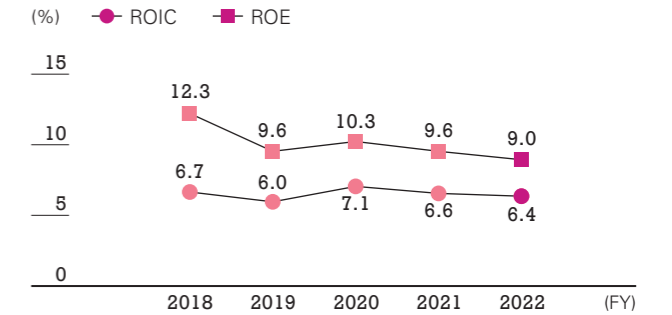
Profit attributable to owners of parent / Profit margin

Profit attributable to owners of parent **23,188 million yen** Profit margin **5.0%**



ROIC*3 / ROE

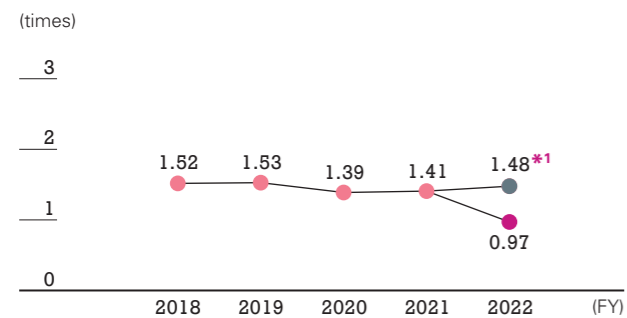
ROIC **6.4%** ROE **9.0%**



*3 Operating profit after tax / (Interest-bearing debt + Equity capital + Non-controlling shareholder interest)

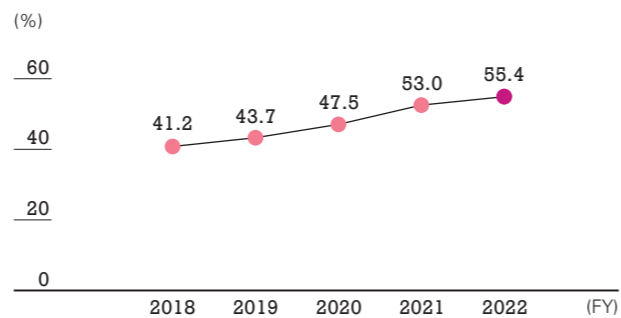
Total capital turnover

0.97 times



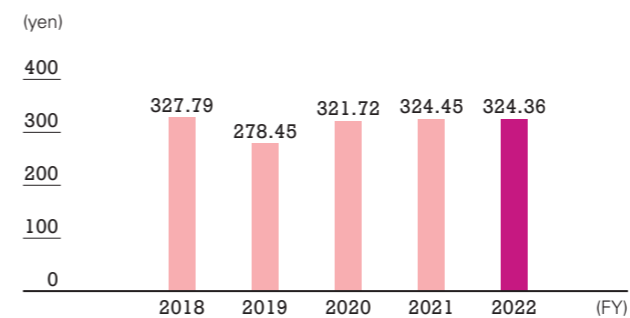
Equity ratio

55.4%



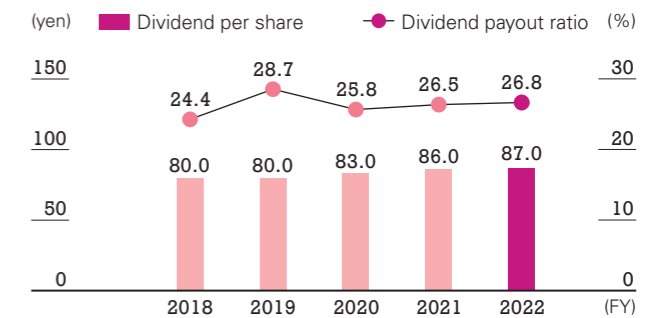
Earnings per share (EPS)

324.36 yen



Dividend per share / Dividend payout ratio

Dividend per share **87.0 yen** Dividend payout ratio **26.8%**

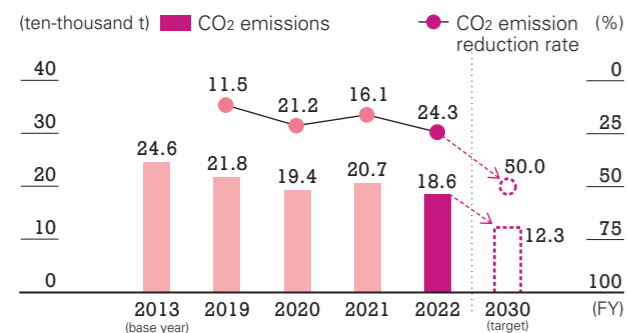


Non-Financial Highlights

Aggregation scope: Izumi Co., Ltd.

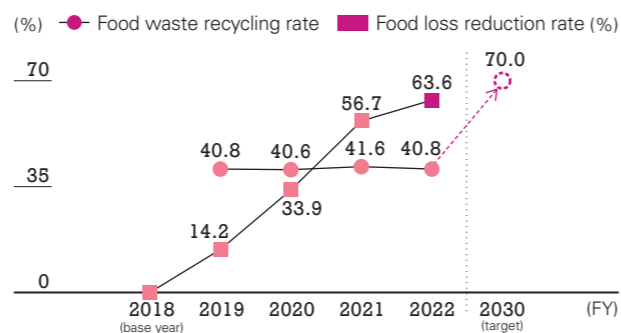
CO2 emissions*4 / CO2 emission reduction rate (relative to FY2013)*4

CO2 emissions **18.6 ten thousand t-CO2** CO2 emission reduction rate **24.3%**



Food waste recycling rate / Food loss reduction rate (relative to FY2018)

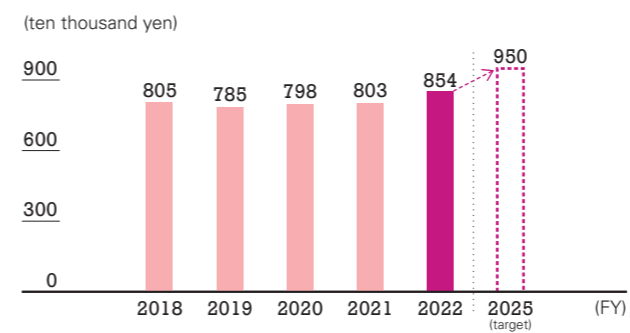
Food waste recycling rate **40.8%** Food loss reduction rate **63.6%**



*4 Scope 1-2

Labor productivity*5

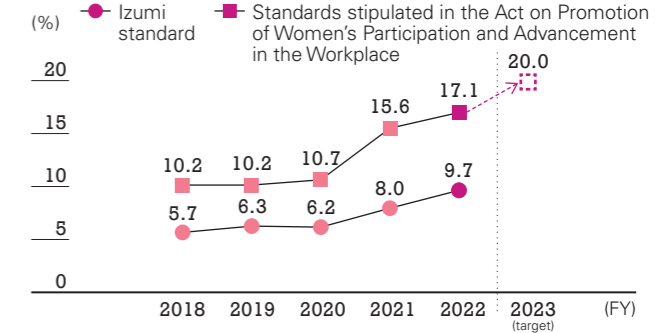
854 ten thousand yen



*5 Gross profit per employee (Calculated on a non-consolidated managerial accounting, directly-managed and existing store basis)

Ratio of women in managerial positions

Izumi standard **17.1%** Standards stipulated in the Act on Promotion of Women's Participation and Advancement in the Workplace **9.7%**



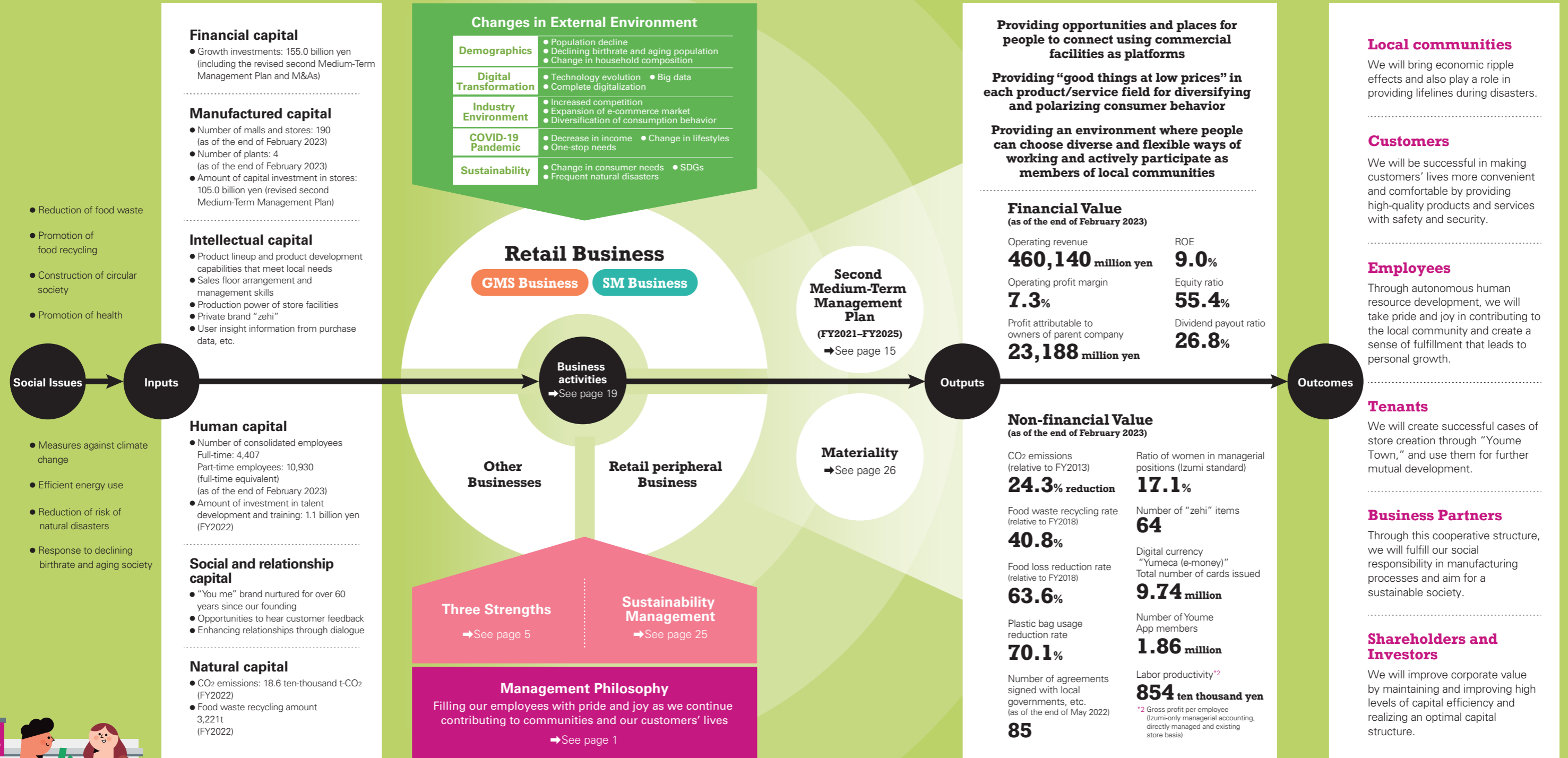
Value creation

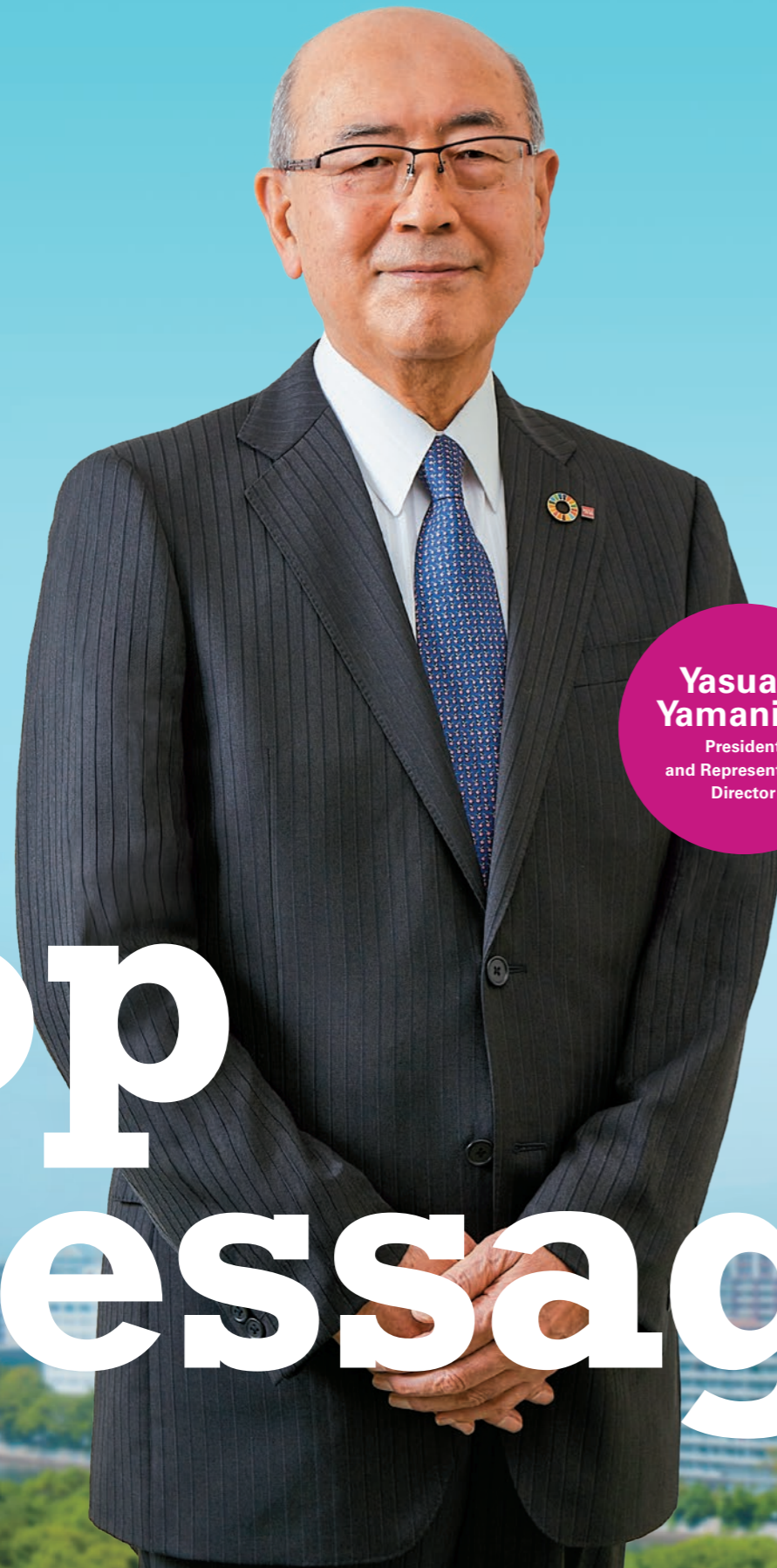
2030 Long-Term Vision

Challenge of co-creation with local communities overflowing in “you me (dreams)”

Achievement of a 300-store network centered on the Chugoku, Shikoku and Kyushu regions
Operating revenue of 1 trillion yen and operating profit margin (net sales ratio) of 5.5%*1 (FY2030)

*1 Figures before the application of the Accounting Standard for Revenue Recognition. After the application of this accounting standard, operating revenue will be 740.0 billion yen and the operating profit margin (operating revenue ratio) will be 7.1%.





**Yasuaki
Yamanishi**
President
and Representative
Director

Top Message

Contributing to community development through down-to-earth initiatives as part of the “life industry”

Our management approach

Driving community revitalization with a new meaning of “at the heart of our communities”

The Izumi Group has chosen the phrase “at the heart of our communities” to express the future vision we are working to achieve by 2030. In this context, I interpret “heart” in two ways. One sense of the word refers to a central place where the many people living in a community can gather together and find a moment of calm. Our large-scale shopping centers (SC) in regional cities are not simply places where local residents can purchase the products and services they need for their daily lives. They are also spaces where visitors can have a wide range of chance encounters, share information, and make new discoveries. I think many of our customers visit our stores looking forward to this kind of authentic experience.

The COVID-19 pandemic that has been ongoing since 2020 has given us a renewed awareness of this. Looking at the upsurge in store traffic since the spring of 2023, when we saw infection numbers fall, we can picture just how starved for authentic experiences our customers had been. People need accessible, convenient places where they can spend quality time. Our experiences of the past few years have once again powerfully brought home to me the fact that we fulfil this vital function in the lives of the people in our communities.

I also hope to see Izumi “at the heart of our communities” in a second sense, slightly different to the one described above. This time, I interpret “heart” as referring to energizing and playing

a central role in our communities themselves. Japan’s falling birthrate and aging population and the concentration of the population in major urban areas mean that many of the country’s regional cities are seeing the advance of depopulation and economic decline. The questions of how to revitalize communities and stimulate population growth are issues not only for municipalities and local industries but for Izumi, too. Why? Because for Izumi, our employees, customers, and communities are one and the same. Our employees are our customers are the people living in our communities. In this sense, Izumi’s sustainable development as a business cannot be extricated from the issues faced by each individual community.

With this in mind, and in collaboration with local governments and industries, we are launching projects that will allow us to be “at the heart of our communities” in this additional sense as well. An example of these is Youme Town Arao (now renamed Youme Town City Mall) in the city of Arao, Kumamoto Prefecture, which underwent extensive renovations last year. Not only did these renovations add 26 new specialty stores and expand our local produce market—enhancing the store’s capacities as a one-stop-shop responding to a wide variety of customer needs—we also collaborated with Arao City to move the city library into the mall. In addition, we built a terraced seating area outside the library, creating an intergenerational meeting place for residents. These initiatives have resulted in an approximately seven-fold increase in library visitors as compared to numbers in pre-COVID-19 2019. We hope to proactively advance these kind of initiatives in close collaboration with governmental bodies in other communities, too.



Our medium-term management plan: current progress and future developments

Aiming to further increase productivity while shifting our focus toward enhancing our existing stores

The Izumi Group has been pursuing our second medium-term management plan since the year before last (FY2021). However, in April this year (2023), we announced revisions to part of this plan. The COVID-19 pandemic was the major driver of these revisions. The spread of the COVID-19 pandemic proved extremely unfavorable to our GMS business, which accounts for 80% of the Company's profits, with customer numbers falling to as low as 20% of normal levels at one point. The last fiscal year (FY2022) also saw a succession of circumstances that significantly impacted our business, including a surge in raw material costs as a result of Russia's invasion of Ukraine and a leap in electricity rates and rapidly rising commodity prices caused by the depreciation of the yen.

Considering this situation, we lowered the numerical target for operating profit initially set out in our medium-term management plan by ¥4.0 billion and also partially modified the details of our investment for growth. While we did not make significant changes to total investment volume, we have chosen to limit investment in new store openings (which present increased payback risk due to the rapid rise in building costs), and shift our focus toward investment in existing stores (where we can expect effective renovations to steadily increase our ability to attract customers) and expanding our business domain through M&A and alliances. We will be moving forward with renovations using a "scrap and build" approach and working on both the physical and non-physical aspects of our stores, with a focus on older stores that have already been open for a certain number of years.

My primary concern among the conditions for Izumi's sustainable growth is increasing productivity. In the three-year term of our previous medium-term management plan (FY2018–FY2020), Izumi advanced initiatives aimed at developing a robust management structure—including reviewing our purchasing plans, shrinking our inventories, and optimizing our advertising—and significantly improved our profit structure. Thanks

to this, we were able to stay on our feet even when faced with the completely unanticipated arrival of the COVID-19 pandemic, avoiding a significant decline in profits in spite of a drop in net sales.

I believe that we have begun to establish the foundations of our robust management structure through these and our other similar initiatives to date. In the remaining three years of our current medium-term management plan, we plan to build further innovation on these foundations, carrying out reform of our stores and operations through DX, merchandising reform aimed at expanding our new customer base, and various other "aggressive" measures.

To achieve our goal to be "at the heart of our communities," collaboration with local governments will naturally be an important factor. Maintaining close communication with one another and an attitude of genuine commitment to our aim of community revitalization will be essential. To this end, we have entered into comprehensive and other types of agreement with 85 municipalities and other bodies as of February 28, 2023, and in FY2023 plan to expand this to all municipalities and other administrative areas in which we operate. At the same time as responding to the different needs of each municipality on the basis of these agreements, we hope to continue to contribute to community revitalization by utilizing our past experience and actively putting forward proposals that will contribute to aims such as building safe and secure communities, promoting tourism and industry, and improving public services.

Sustainability initiatives

Concentrating on four materialities, as well as human resources development and enhancing our governance

Izumi has identified local communities and customers, the environment, safety and security, and diversity as four materialities for our business management.

The first of these, local communities and customers, best illustrates the defining features of the Izumi Group. As described above, our ultimate aim to be "at the heart of our communities" is all about working to energize our communities and enrich our customers' lives.

This community perspective also applies to our second materiality, the environment. If our aim is to protect the planet, we must first start with improving the environments of our own communities. In line with this down-to-earth way of thinking, we are advancing various environmental initiatives, including reducing our CO₂ emissions. We are giving particular attention to the issue of food loss, which is highly relevant to our business. We have radically reassessed this issue from the perspective of community-wide resource recycling and plan not only to continue reducing food loss within our own operations as we have been doing, but also to roll out concerted community initiatives in cooperation with our product suppliers and producers.

Our third materiality, safety and security, has a considerable bearing on public trust in our business and, by extension, its continuation, and we recognize that we must engage even more

comprehensively with this topic. Izumi is engaged in in-store preparation of fresh and prepared foods, as well as food production through affiliated companies, and we cannot allow any errors in areas such as hygiene management or labelling of ingredients, additives, and best-before or use-by dates. In order to further increase the reliability of our quality assurance as a producer and supplier, our quality control group has been placed under the direct control of the President from this fiscal year onward. This creates a system whereby I will immediately receive an initial report in the unlikely event of a problem arising, allowing us to further strengthen our safety and quality control management.

Within our fourth materiality, diversity, empowering women is a particularly urgent issue. A large number of the part-time employees who lead our on-site teams are women, and many of them possess excellent skills in human resources development and leadership. While I understand that opportunities for women's active participation are already gradually expanding within the Company, we also plan to actively promote women to middle management and executive roles going forward. To this end, we will work to create systems and environments where women can fully demonstrate their abilities within the wider framework of our organization.

There are also various other domains that we must focus on in order to achieve sustainable growth as a business. At the top of the list is development of human resources. As we advance on-site operational reform utilizing DX, it is vital that increasing productivity is simultaneously accompanied by increases to employee training time. We are also working to develop our next generation of leaders. In 2021, we created our company learning program, Izumi University (see page 32), which, among other successful outcomes, has produced human resources among its first class of 45 graduates who will be appointed to posts at the executive level and beyond. Several of our female employees are currently participating in the second term of Izumi University, which started this fiscal year, and I hope this will lead to the promotion of women to executive roles in the future.

We also recognize that enhancing the effectiveness of our Board of Directors is an important management issue. While Izumi's Board of Directors sees lively discussion between our inside and outside directors, we still have some way to go to achieve my ideal vision for the Board. In order to further leverage the expertise of our outside directors and make the Board a place for discussions that will contribute to the future of the Company, I hope to implement creative solutions around the selection of topics to be discussed in our meetings, allocation of time to each discussion topic, and developing our shared awareness of the issues we face by providing information in advance of meetings. In these and other ways, I hope to evolve the function of the Board of Directors.

A message for our stakeholders

Continuing to fulfil our social mission as part of the local "life industry"

This year marks 62 years since Izumi was incorporated and our first store opened in 1961. Looking back over our history as a

company, I think our work can be encapsulated by the term "life industry." My intention here is not to create snappy marketing copy or a slick catchphrase, but more simply to express my feeling that we have consistently strived to provide the goods and services essential to the daily lives of our customers through the years—to the people living in our communities.

In the post-war period of high growth, we worked to provide daily necessities (goods) including clothing and food products. Once the Japanese economy had entered a period of more stable growth, we created spaces to provide various services to local people through development of our Youme Towns and other ventures. In this sense, I think that the "life industry" forms both our starting point and our social mission. Even as both society and people's values shift with the times, the Izumi mission to continue to be part of the local "life industry" remains unchanged. Our abovementioned goal to be at the heart of our communities in a new sense is really all about fulfilling this mission.

Improving the productivity of our operations and increasing our profits, thereby delivering reasonable shareholder returns to all who have invested in our Company, is naturally a key management priority. However, I believe that this would be meaningless if we were to achieve it by forgetting our social mission and merely pursuing performance figures. We will keep our principal focus on people's daily lives—those of the people living in our communities, who are our customers and our employees—and continue to enrich each and every one. I believe that steady efforts like these add up to achieve solutions to social issues.

Going forward, the Izumi Group will continue to steadily advance down-to-earth initiatives in our role as part of the "life industry," in the aim of sustainable growth alongside our communities. We hope that all of our stakeholders will continue to generously lend the Izumi Group their support and understanding.

山西泰明

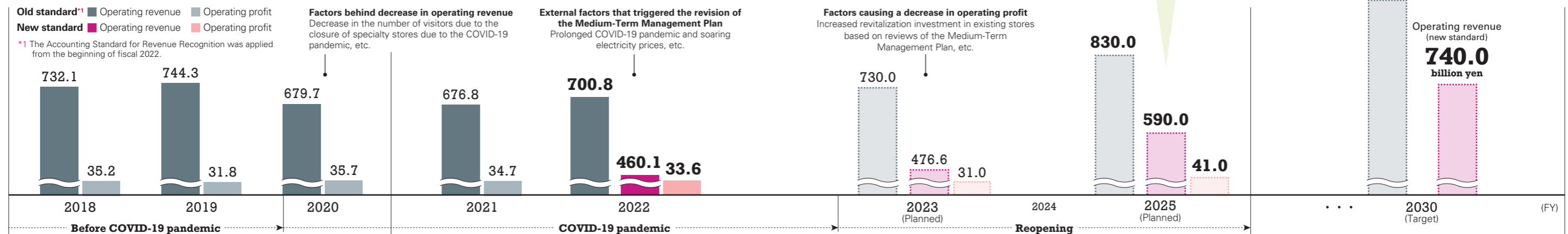
Yasuaki Yamanishi
President and Representative Director



In order to respond to changes in the environment, we will review our Medium-Term Management Plan and aim to realize our 2030 Long-Term Vision

In April 2021, the Izumi Group announced its second five-year Medium-Term Management Plan (FY2021-FY2025) that ends in fiscal 2025, and its 2030 Long-Term Vision. However, due to numerous changes in circumstances, such as the prolonged impact of the spread of COVID-19 on the movement of people, increasing prices due to rising resource prices triggered by the conflict in Ukraine and the depreciation of the yen, and declining profitability of store investment plans due to rising construction costs, there was a gap between the initial assumptions and the current business environment. In response to these changes, we reviewed the strategies and numerical plans of the second Medium-Term Management Plan and the numerical targets of the 2030 Long-Term Vision, and announced them in April 2023.

Trend in operating revenue and operating profit (billion yen)



Revised numerical plan	Initial 2025 plan	Revised 2025 plan
	Operating revenue (after application of Revenue Recognition Standard)	830.0 billion yen (-)
Operating profit	45.0 billion yen	41.0 billion yen
Return on assets (ROA)	8.5%	7.7%
ROIC*2	7.9%	6.9%
ROE	9.4%	8.7%

Main factors behind revisions of the operating profit plan
Increased utility costs and increased expenses due to active investment

*2 Operating profit after tax / (interest-bearing liabilities + shareholders' equity + non-controlling interests)
Initial plan is operating profit after tax / (interest-bearing liabilities + shareholders' equity)

The first Medium-Term Management Plan

Basic Strategies

Growth Strategy

- Accelerate new store openings
- Actively promote M&A
- Promote new businesses

Enhancement of competitive power

- Increase added value of stores
- Realize "good things at low prices"
- Marketing enhancement
- Tenant enhancement
- Cost reduction

Human resources development

- Skill development
- Workstyle reform
- Cultivation of women in managerial positions

	2020 plan	2020 results
Operating revenue	900.0 billion yen	679.7 billion yen
Operating profit margin (sales ratio)	6%	5.5%

In fiscal 2020, operating revenue and operating profit fell short of the plan. In response to the declaration of a state of emergency due to the spread of COVID-19, specialty stores were forced to close, and the number of customers who visited them subsequently decreased.

The second Medium-Term Management Plan

Basic Strategies As mentioned above, we have partially changed our business and financial strategies from the initial plan.

Business Strategy (Changed)

Key points of change (Target: GMS reform, Food supermarkets (SM) reform, and strengthening Group management)

- Change in investment allocation: We narrowed down our store opening plan from the initial plan of 33 to 20 stores.
- We will shift a portion of investment to revitalizing existing stores and expanding new business areas through M&As and alliances to achieve further growth.

GMS reform

- Existing store renovations, and "scrap and build"
- Strengthening of lifestyle sector
- Promotion of DX
- Development of next-generation shopping centers

Food supermarkets (SM) reform

- Expansion of store network
- Development of next-generation SM (food supermarkets)
- Revitalization of existing stores
- Utilization of new plant for prepared food
- Promotion of DX

Enabling digital commerce

- Acquisition of new customer base by strengthening Youme Online
- Deepening of trade-area share by strengthening Youme Delivery

Promotion of operational reform and human resource development

- Operational reform
- Promotion of human resource development

ESG Strategy (Unchanged)

- Reduction of CO₂ emissions
- Reduction of plastic packaging
- Food loss reduction and promotion of food recycling
- Strengthened corporate governance

Financial Strategy (Changed)

Key points of change (Target: Financing)
While preparing for the risk of drastic changes in the environment, we will use interest-bearing liabilities to finance investment (Limit net D/E ratio to a maximum of approx. 0.5).

Financing: Financial rating steady at A+

Shareholder returns: Targeting dividend payout ratio of 30%

Change in investment allocation (billion yen)

Category	Initial 2025 plan	Revised 2025 plan
ESG	8	9
DX	20	16
Group Strategy	16	25
Revitalization	27	57
New Stores	79	48
Total	150.0	155.0

2030 Long-Term Vision

Achieve a 300-store network centered on the Chugoku, Shikoku and Kyushu regions, and take on the challenge of co-creation with local communities overflowing in "you me (dreams)"

Numerical targets

	2030 targets
Operating revenue (after application of Revenue Recognition Standard)	1 trillion yen (740.0 billion yen)
Operating profit margin Sales ratio (Operating revenue ratio after application of Revenue Recognition Standard)	5.5%*3 (7.1%)

*3 In line with the revision of the figures in the second Medium-Term Management Plan, the initial numerical targets were revised from 6.0 to 5.5



Changing course with aggressive investment for growth, and aiming for new heights

Tatsuya Mikamoto Deputy President and Director

Summary of performance in fiscal year ended Feb. 28, 2023

Steady increase in productivity despite challenging operating conditions

Fiscal 2022 (the fiscal year ended Feb. 28, 2023) saw difficult business conditions continue in the first half of the year, including a surge in energy prices as a result of Russia's invasion of Ukraine, but traffic to our stores recovered beyond expectations in the second half of the year, and we were ultimately able to exceed forecasts from the beginning of the period and achieve an annual operating revenue of approximately ¥460.1 billion. We experienced a slight decline in profit, due in part to the approximately ¥2.5 billion increase in our utilities costs (as compared to fiscal 2021) caused by a rise in electricity rates. However, thanks to the procurement skills of our product division and our stores' sales efforts, I am very happy to report that we were able to maintain a profit level exceeding forecasts from the beginning of the period.

We also made various advances on cost reduction and improving productivity, two key issues in our second medium-term management plan. For example, we were able to reduce our energy use by almost 10% as compared to the previous year through painstaking energy-saving efforts in all departments. We were also able to significantly reduce labor costs through efforts toward optimal allocation of required employees in and between our stores.

The Izumi Group has been ceaselessly advancing initiatives aimed at our transition to a robust management structure for several years now, and Group-wide productivity is improving from year to year. From this perspective, I think that the change in mindset that is steadily progressing at each and every one of our sites, exemplified by our employees' efforts not only to improve their own stores but also to increase Group-wide productivity, has been our greatest success in fiscal 2022.

Our future investment strategy

Shift in focus from new store openings to revitalizing existing stores

In the past two years, we have made various advances toward our goal of establishing a solid foundation for sustainable growth, including the improvement in profitability and increased awareness around productivity described above. However, in terms of the progress of our medium-term management plan, this two-year period also saw major disruption to our operating environment in the form of the COVID-19 pandemic, and we struggled to implement the strategies we had initially planned. With these factors in mind, we have reviewed part of our medium-term management plan and will be beginning the full-scale launch of an "aggressive" strategy from this fiscal year (the fiscal year ending Feb. 29, 2024) onward.

A particularly significant change made in this review was to the target of our investment for growth. While our investment total remains at a similar level to that of our initial plan, increased payback risk due to a surge in building costs mean that we have chosen to limit the number of new store openings and shift that portion of our investment to areas where we will quickly see its impact: renovation (revitalization) of existing stores and a "scrap and build" approach. We plan to proactively implement these investments not only for our large-scale GMS but also our medium-sized stores and supermarkets.

We will also take a more rigorous approach to investment reliability. In addition to ensuring the success of our new store openings, we will also aim to achieve reliable returns on our investment for revitalization by conducting thorough preliminary research when selecting locations, advancing merchandising tailored to the needs of local communities, utilizing DX for optimum employee allocation, and more. We also plan to proactively advance our M&A strategy—held back for the past two years by the COVID-19 pandemic—from this fiscal year onward, with a focus on supermarkets.

Another priority when considering our allocation of funds is investment in DX. We will pursue further productivity increases through the use of digital technologies, including through the inventory and loss reduction, optimal employee allocation, and other measures we have already been advancing. For example, we are currently moving forward with the introduction, in all our stores, of multi-functional devices that act as a one-stop-shop combining the functions previously fulfilled by computers and other devices. In addition to making it possible to check product sales, profit, and other data on site, we also hope that this will dramatically increase the efficiency of ordering and other tasks. We will continue to advance DX that contributes to both operational efficiency and increased convenience for customers, gradually increasing the number of stores using the Pipit (Beep) Self mobile checkout system (a tool popular with younger shoppers that allows users to scan products on their smartphones as they shop), promotional signage on sales floors, electronic shelf labels, and more.

Our investment for growth will principally be funded by cash flow from our operations, but we will also make proactive use of capital borrowed from financial institutions and other bodies in cases where funds are insufficient for large-scale M&A investment or similar projects. We use having an equity ratio of 50% or more as a standard by which to measure our financial health: having maintained an equity ratio of 55% or more as of Feb. 28, 2023, we consider Izumi to have secured financial health.

From this fiscal year onward, we will continue to shift our forward-looking investments for growth into high gear as described above. At the same time, considering the time it will take for the impacts of our investments to materialize, we can expect our profit level to drop temporarily over this period. We are fully confident that this temporary decline will allow us to gather

our strength and steadily turn each of our investments for growth into successes for a V-shaped recovery in profits in the following fiscal year (ending Feb. 28, 2025).

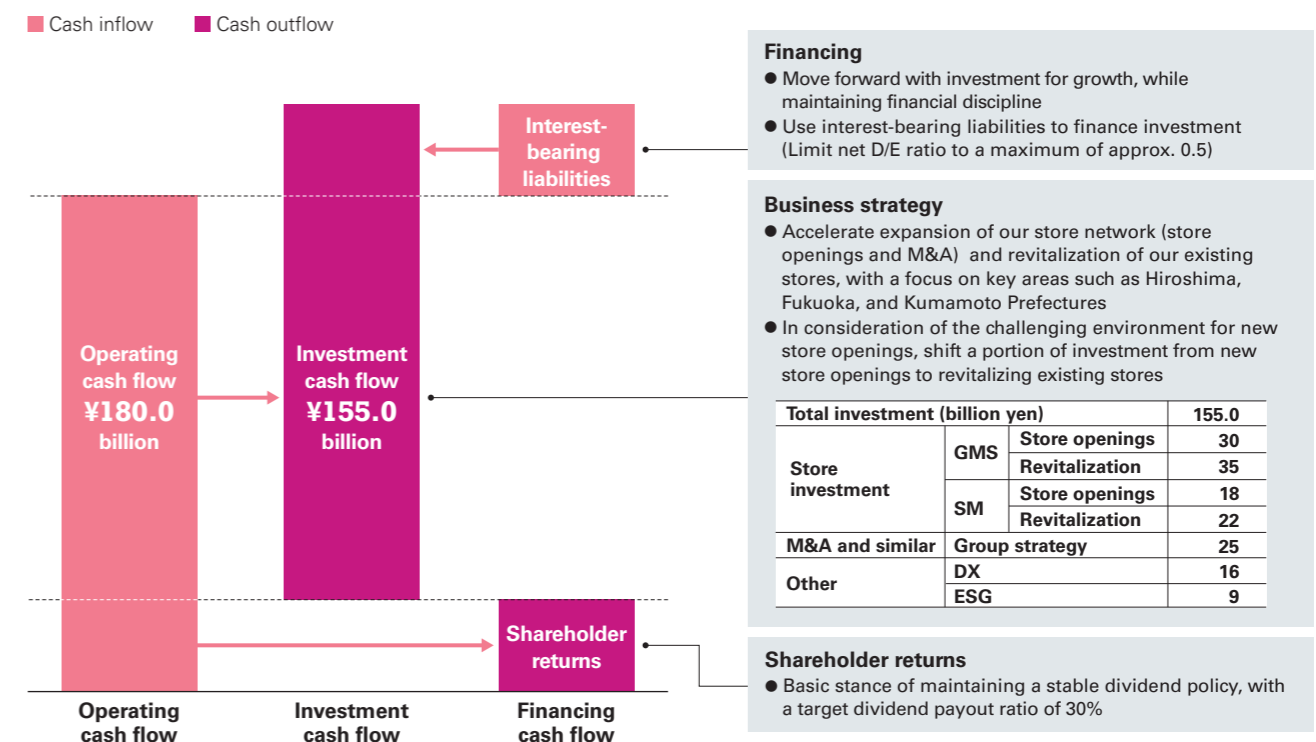
A message for our shareholders and investors

Communicating our unique strengths and potential

We consider our shareholder returns to be a top business management priority, and we will continue to strive to deliver returns to all our shareholders with a target dividend payout ratio of 30% and a basic stance of maintaining a stable dividend policy. In fiscal 2022, shareholder dividends saw a dividend increase of 1 yen as compared to the previous fiscal year, for a total annual dividend of 87 yen, while our dividend payout ratio was 26.8%. In the upcoming fiscal year, we plan to deliver an annual dividend of 88 yen and a dividend payout ratio of 32.9%.

I would like to end with a key takeaway for our shareholders and investors. The Izumi Group's profits are exceptionally high for the current Japanese retail industry, with the Company's operating profit margin reaching approximately 7% in FY2022, a figure that I believe only a very limited number of other Japanese retailers can match. Going forward, we will continue to share accessible information about the Izumi Group's unique strengths and potential within the local GMS sector, as well as our strategy for sustainable growth. The next fiscal year promises new heights for the Izumi Group.

Cash flow allocation (second medium-term management plan FY2021–FY2025)

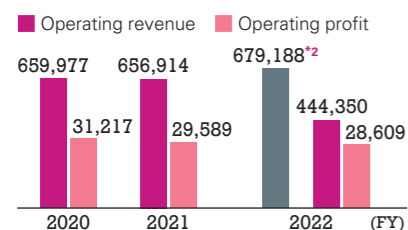


We are developing businesses rooted in local communities to meet diverse customer needs

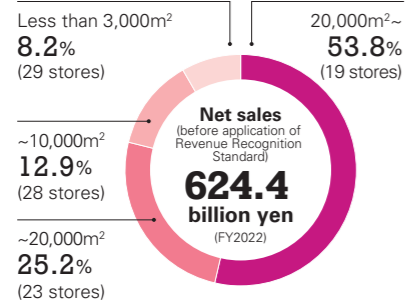
Retail Business

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

Operating revenue** 444,350 (million yen)
Operating profit** 28,609 (million yen)



Retail sales by floor space (non-consolidated basis and excluding stand-alone XSELL stores)



GMS Business

Shopping Centers (SC)

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.

Youme Town, LECT
63 stores
(As of the end of February 2023)



LECT, facilities for spending time leisurely

"LECT" is an acronym for "Living," "Eating," "Culture," and "Town/Time." It is a shopping center that provides a special time to customers, centered on key tenants with three themes: culture, eating, and living. It is a third place that is comfortable and full of discoveries outside of your home, workplace, or school.

Business strategy → See page 21

Evolving into a form that matches the company's position and meets the needs of the business area to maximize the ability to attract customers

Strengthening the response to the polarization of consumption by promoting

SM Business

Food Supermarket (SM)

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.

Youme Mart, Yours, Avance, Dailymart

117 stores
(As of the end of February 2023)



Neighborhood Shopping Center (NSC)

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.

Youme Mall 4 stores
(As of the end of February 2023)

Business strategy → See page 22

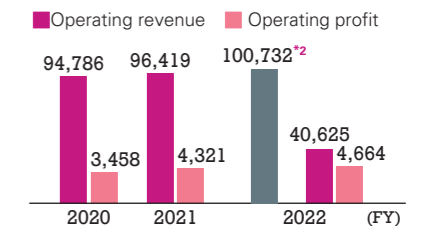
Building a highly productive SM store network

the development of and selling the zehi brand and budget products

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.

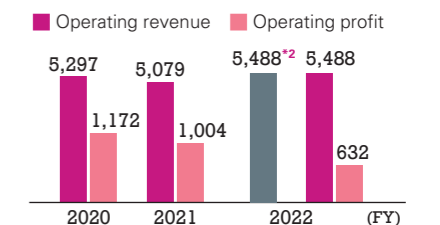
Operating revenue** 40,625 (million yen)
Operating profit** 4,664 (million yen)



Other Businesses

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

Operating revenue** 5,488 (million yen)
Operating profit** 632 (million yen)



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

*2 The Accounting Standard for Revenue Recognition was applied from the beginning of fiscal 2022. For reference, the figures before the application of this accounting standard are shown.



“Rejuvenating” our general merchandising stores and supermarkets for even greater appeal

Shigeki Machida Deputy President and Director

GMS reform

Aiming to create stores that will attract customers of all ages

In our review of our second medium-term management plan, we made a significant shift in the focus of our growth investment, from new store openings to revitalizing existing stores. Our approach to our general merchandising stores in particular saw a significant increase made to the scale of our investment in revitalization of these stores—from 17.0 billion yen in the initial iteration of our second management plan to 35.0 billion yen in our review—and a plan to carry out renovations to 33 (close to half) of our general merchandising stores between fiscal 2023 and 2025.

The guiding principle in our approach to revitalizing our general merchandising stores will be “rejuvenation,” as opposed to a simple “touch-up.” In our aim to create general merchandising stores that will attract customers from all age groups, we have considered both physical and non-physical aspects of our stores. In the former area, we have given careful thought to restrooms, rest areas, baby care rooms, and other spaces in our facilities, and will be remodeling our stores into spaces where young parents and their children can shop in comfort. In the latter, we will be carefully evaluating the appeal

of both our directly managed and tenant stores. In our directly managed stores, we are expanding our merchandising efforts, including launching the fashion brand SHUCA in collaboration with Adastria Co., Ltd.; introducing new franchises; and more. We will also be continuing to step up our addition of household goods stores, baby product stores, and other stores popular with young parents to our tenant portfolio. We want to see our stores become the hearts of their communities, and as part of our commitment to that vision, we are also focusing on expansion of our public services delivered in collaboration with government bodies. Examples include our library project with Arao City in Kumamoto Prefecture last year and this year’s childcare support center project with Ube City in Yamaguchi Prefecture, and we will continue to seek opportunities for more in-depth consultations with local governments.

Not every community has the same requirements of its local general merchandising store. In order to move forward with renovations in line with the unique characteristics of each community, we are conducting various detailed analyses, such as using store card holder data to look at age group-segregated store-visit information and the impacts of replacing products and tenants. We are also working hard to follow up on lapsed customer data so that we can look at what they found lacking and continue to transform our stores into more attractive places.

Case study 1 Youme Town Hatsukaichi (Reopened after renovations April 2022)

Revamp of directly managed and tenant stores to win young parents

Despite the fact that this store is situated in an area with a high proportion of families with young children, our data analysis found that it was not fully equipped to meet their needs. By strengthening our tenant portfolio with MUJI, Akachan Honpo, and other stores popular with young parents, as well as expanding our children’s and baby products sections, we significantly increased store card holder numbers through new sign-ups in the young family category (110% year-on-year*) and sales in our directly managed stores (118% year-on-year*).

* From May 2022 to February 2023



Akachan Honpo store at Youme Town Hatsukaichi

Food supermarkets (SM) reform

Moving forward with renovations centered on the core concepts of ease and convenience

When we first announced our second medium-term management plan, new store openings were at the core of our growth strategy. However, going forward, we will be making a significant shift in focus toward renovation and a “scrap and build” approach. Rising construction costs and increased local competition are major factors behind this. In order to further strengthen the solid presence our existing stores have established in each area, we plan to renovate 23 of our stores, including Group company stores, over a three-year period starting this fiscal year.

As with our general merchandising stores, “rejuvenation” is our core renovation concept when it comes to revitalizing our supermarkets. The data clearly show that there is an ongoing shift toward over-representation of older customers as compared to local demographics at all Izumi Group

supermarkets, and we need policies that will invite younger customers in the 30–40 age range back to our stores.

It is also clear from the data that younger customers are highly sensitive to price; however, low prices cannot be our only weapon in approaching this challenge. The women working both inside and outside the home who comprise Izumi’s core target market are looking first and foremost for ease and convenience. We are therefore pursuing steps such as responding to the demand for ready-made meals by expanding our range of microwave meals (specifically designed to be heated in the microwave); enlarging our sales areas for prepared foods; refitting sales areas for fruits, vegetables, and prepared foods; and introducing self-service checkouts to contribute to reducing shopping time. We will also be working on physical aspects of our facilities in order to create stores that appeal to younger shoppers, including renovating exterior design elements and interiors, including restrooms, and revamping all fixtures. Stores renovated in fiscal 2021–2022 have seen an increase in sales of at least 10% on average, and we will be analyzing success stories to inform future renovations.

Case study 2 Youme Mart Saijo (Newly opened in October 2022)

A model case for supermarket rejuvenation thanks to various successful measures

We implemented a comprehensive range of supermarket “rejuvenation” measures, including enhancing merchandising aimed at young parents, strengthening our position price-wise, and promoting DX. Attention to the smallest details in our merchandising, such as the decision to reduce our range in the beer category and increase that for canned, flavored alcoholic beverages, allowed us to succeed in increasing the proportion of customers of our food sections in the under-49 age category to at least 10% higher than in neighboring stores.



The food section at Youme Mart Saijo

GMS reform Food supermarkets (SM) reform

Enhancing product range and development in response to polarization of consumption

Within our product strategy, we are taking action on the current polarization of consumption. One element of this is the development of our private brand zehi, which specializes in prepared foods. In order to increase zehi’s brand value as a range of products competing on taste and quality rather than price, we hold regular internal taste-testing sessions to approve new zehi items and plan to increase the brand’s share of sales going forward, driving revenue growth.

At the same time, we are also promoting development of budget products that meet the need for low-cost items. We are pursuing three avenues in this area—our own in-house development, co-development with the Seven & i Group, and importing goods from overseas—and seeing steady positive impacts. Through the above actions on polarization of consumption, we intend to expand our customer base and increase our presence in the areas where our stores are located.



A taste-testing session to approve new zehi items

Special feature

A DX strategy aiming for both profit growth and a better future

The Izumi Group is advancing customer-, employee-, and community-focused digital transformation (DX), increasing the Company's competitive edge in the process.

For our customers, we are introducing and providing digital services that make shopping more convenient and will lead to increased customer satisfaction and promotion of sales.

For our employees, we are reducing workloads and increasing productivity by introducing AI-integrated systems and electronic shelf labels.

For our local communities, we are using DX to engage in building communities that offer excellent quality of life and to contribute to solving community issues.

16.0 billion yen investment in

DX

over 5 years

Customers

Employees

Local communities



Achieving business growth and contributing to society through DX

Keishi Okamoto Executive Officer and DX Division Manager

Promoting DX is a key initiative for Izumi, as it allows us to prioritize both new and existing customers and to increase the productivity of each and every one of our employees.

Going forward, our customer-focused DX will involve furthering the move toward cashless transactions, allowing us to gather more, highly accurate data on our customers' purchasing habits, and a shift toward digital retail media, allowing us to more quickly increase our profile among our customers. We will also use our CRM program to create points of contact with customers, maintain connections, and advance effective sales promotion. For me, this is what DX is all about. One of our fiscal 2022 successes was the introduction in some of our stores of the Pipit (Beep) Self mobile checkout system, which allows customers to scan products on their smartphones as they shop. We found that this significantly reduced checkout times—normally approximately four minutes—to approximately 28 seconds. We are also using digital signage to optimally time share information about our products and services in the aim of increasing customer satisfaction.

In our employee-focused DX, we are making our

systems and structures user-friendly for everyone, from junior members of staff to our experienced employees. At the same time, we must also increase IT literacy among employees, who will be the users of our programs. I believe that firmly establishing these systems and structures as part of our operations in this way will lead to DX successes. As one of our fiscal 2022 initiatives, we introduced multi-functional devices in all our stores in the aim of improving productivity. Staff can now check data, make reports, and carry out other tasks on the sales floor that they would previously have had to do on backroom PCs, allowing us to reduce time spent moving between locations.

In our community-focused DX, we are working to practice health management and disseminate information to the public, including by giving our employees access to the healthcare app HELPO, through which they can book medical consultations and receive online medical examinations. We are also working with others to develop local communities, participating in Town & Gown Office, an initiative aimed at driving innovation and run by the city of Higashihiroshima, Hiroshima University, and 10 private companies.

Creating stores full of smiling faces



The Youme App, with a checkout feature, digital coupons, personalized sales promotions, and more



The Pipit (Beep) Self mobile checkout system, allowing users to scan products on their smartphones as they shop and reduce their checkout wait time



Youme Delivery, our online supermarket allowing customers to order online for home delivery or in-store pickup

1 Expanding sales

Profit growth

Creating pleasant working environments



Multi-functional devices, a one-stop-shop for all previously computer-based tasks, saving time and contributing to operational efficiency



Our predictive supply ordering system, which uses AI to manage and optimize stock and reduce loss



Electronic shelf labels, which reduce time spent changing pricing labels and prevent pricing errors

2 Increasing productivity

Creating systems for the future



2021 installation of solar panels through a PPA model, aimed at conserving and generating energy



Company access to health advice app HELPO, allowing us to contribute to community health by promoting employee health



Participating in the Hiroshima University Smart City Co-Creation Consortium, which aims to create a smart city as a contribution to wider society

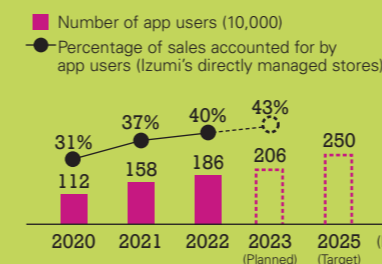
3 Contributing to local communities

For a better future

1 Expanding sales

The Youme App offers a variety of features, including a virtual Youme card and digital coupons. We also use it to deliver sales promotions tailored to individual customers using our customer data platform (CDP).

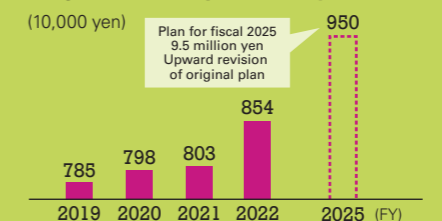
App users: number & percentage of sales they account for



2 Increasing productivity

We are promoting DX-driven operational reform, aiming to improve gross profit margin by optimizing stock levels and reducing opportunity loss, as well as reduce operational man-hours through increased efficiency. Time freed up by this will be redirected to increasing on-site capabilities, leading to further creation of added value.

Progress in labor productivity*



3 Contributing to local communities

In February 2023, with the aim of working toward our vision of a sustainable future society, we participated in the Hiroshima University Smart City Co-Creation Consortium, the goal of which is to generate innovation by developing a smart city. As a retailer, we will continue to offer our customers smarter, more convenient ways to shop and work to turn all of our stores into hubs for regional revitalization, contributing to the local community and our customers' lives.

Creating new value and pursuing sustainability together with local communities and wider society

Izumi formulated our Basic Sustainability Policy in October 2021, in order to adapt to the changing times and respond to societal needs. We are promoting 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.

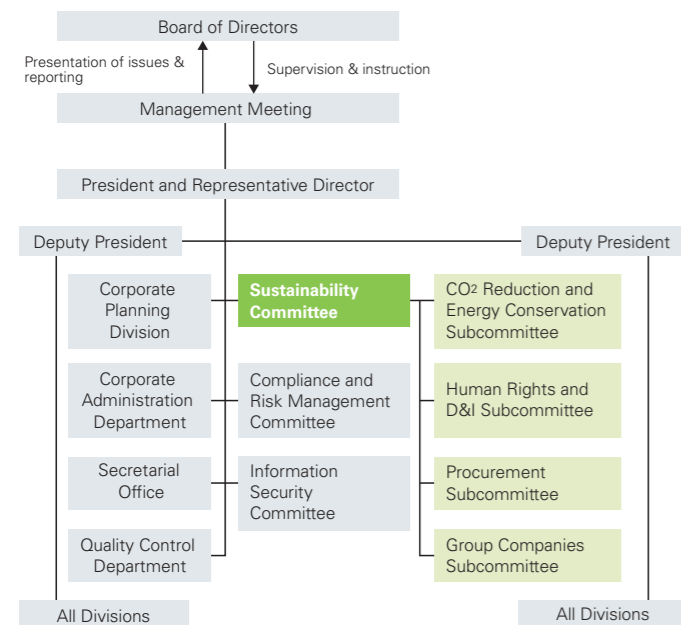
Basic Sustainability Policy

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

Izumi has established a Sustainability Committee, which acts as an advisory body to the Board of Directors and is chaired by our Representative Director, with the Corporate Planning Department Manager (Director of Management Strategy) and the Marketing Division Manager (Executive Officer for Sustainability) as vice-chairs. The Sustainability Committee reports to the Board of Directors and meets twice a year, with a planned increase to four times a year in FY2023.

Structure for sustainability promotion



Structure (subcommittees)	Role
CO2 Reduction and Energy Conservation Subcommittee	<ul style="list-style-type: none"> Tracking progress on climate change-related targets and drafting measures in this area Discussing measures for the use of photovoltaic systems and renewable energies Drafting plans for and implementing the installation of energy-saving equipment in our stores and beyond
Human Rights and D&I Subcommittee	<ul style="list-style-type: none"> Creating and operating human rights due diligence mechanisms Evaluating potential impacts, drafting improvement measures, and providing education relating to human rights risks Action on statutory disclosure
Procurement Subcommittee	<ul style="list-style-type: none"> Setting targets and drafting measures relating to sustainable procurement Explaining Izumi's procurement policy to our business partners Engaging with suppliers using the Global Compact Network Japan's CSR/Sustainable Procurement Self-Assessment Questionnaire
Group Companies Subcommittee	<ul style="list-style-type: none"> Sharing sustainability-related information among Group companies Checking each Group company's sustainability measures and progress on targets

Materiality

We identified the materiality of various issues in May 2022, considering both social issues and issues relevant to our business activities, and taking into account the degree of importance of each issue. Our societies and the environments in which we do business are changing dramatically. Against this backdrop, we will continue to work toward increasing our sustainable corporate value.

Materiality Identification Process

- Step 1 Issue identification**
Referred to GRI standards, ISO 26000, and SDGs to identify issues in society and in our Group.
- Step 2 Issue Analysis**
Created a Materiality Matrix using the level of impact on society and our Group's business based on the issues identified.
- Step 3 Selection of possible material issues**
Selected 11 possible material issue based on their importance to society and perceived importance to our Group.
- Step 4 Materiality Identification**
Identified materiality and initiatives with final approval by the Board of Directors in May 2022.

Materiality Matrix

Importance to Society	Importance to Izumi
High	<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
Medium	<ul style="list-style-type: none"> Information disclosure Resource depletion Marine and soil pollution Conservation of water resources
Low	<ul style="list-style-type: none"> Fair competition Anti-corruption measures Promotion of hiring people with disabilities Effective use of water resources

Materiality	Risk	Opportunity	Initiative
Local communities and customers Creating enriched lives together with local communities and customers	<ul style="list-style-type: none"> Reduced sales opportunities due to population decline, societal aging, and other factors Insufficient collaboration with local communities leading to inability to open new stores as planned 	<ul style="list-style-type: none"> Increased sales opportunities due to regional revitalization Building trust through increased awareness of our role as part of regional infrastructure 	<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 single-person households Signing comprehensive agreements and agreements for the supply of goods during disasters Providing places for customers in local communities to gather
Environment Achieving a decarbonized society and efficiently using resources	<ul style="list-style-type: none"> Physical damages due to rise in natural disasters Surge in purchasing costs due to extreme weather events and rising costs of raw materials 	<ul style="list-style-type: none"> Cost reductions through energy conservation, waste reduction, recycling, etc. Improving our corporate brand as a leading company for environmental sustainability 	<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"> Customer attrition due to product-related accidents and similar Loss of trust due to infringement of laws and regulations relating to quality control, quality labeling, etc. 	<ul style="list-style-type: none"> Increased customer loyalty Increased sales opportunities through provision of products that meet customer needs 	<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"> Worsened company image, customer attrition, decrease in employee engagement Difficulty in retaining human resources, exodus of employees to other companies 	<ul style="list-style-type: none"> Enhancing our competitive edge through diversity Increased engagement, talent acquisition 	<ul style="list-style-type: none"> Increased ratio of female managers and employment rate of people with disabilities Gender equality, and support for the young, elderly, and others in playing active roles Creation of working environment that suits different life stages

Our vision for 2050



In order to make ongoing contributions to both local communities and our planet as part of our aim to be a sustainable company, we have established our “you me MIRAI (future) Action” plan, which sets out the vision we hope to achieve by 2050. We have set numerical targets and an action plan, and are working toward these at a Group-wide level.

you me MIRAI Action

Vision	Specific initiatives	2030 targets	2050 vision
Decarbonized Society	Reduction of CO ₂ emissions	Reduce CO ₂ emissions associated with store operations by 50% (relative to FY2013)	Net zero emissions from store operations
		Reduce not only our own emissions (Scopes 1 and 2) but also Scope 3 emissions, for reductions throughout our supply chains	
Recycling-Oriented Society	Action on plastics	Reduce use of plastic bags by 80% (relative to FY2018) Switch to biomass and similar materials for grocery bags	Reduce use of plastic bags to zero
		Cut food loss and food recycling measures	Cut food loss by 80% (relative to FY2018)
	Recycle 70% of food waste	Recycle 100% of food waste	
A Society in Harmony with Nature	Protection of biodiversity	Expand provision of sustainable products and promote ethical consumption	

Contributing to a decarbonized society

Information disclosure based on TCFD recommendations

Izumi endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. In order to fulfil our responsibilities to our many stakeholders, we are taking action on climate change by acting on the recommendations of the TCFD, carrying out analysis of climate change risks and opportunities, and engaging in sustainable management practices.



Governance

Our Sustainability Committee is responsible for issues relating to climate change. Its CO₂ Reduction and Energy Conservation Subcommittee plans, drafts, and makes recommendations for our strategy and initiatives, and reports back to the Sustainability Committee. The activities of the Sustainability Committee are presented and reported to the Board of Directors.

Strategy

In fiscal 2022, we identified major climate change risks and opportunities for Izumi and evaluated the specific financial impacts these will engender. In addition, we carried out scenario analysis designed to help us plan a business strategy that will reduce risks and expand opportunities. We considered impacts likely to be felt in 2030 in two scenarios, a 4°C scenario and a 1.5°C scenario (as well as a 2°C scenario in some cases), and defined the measures we will take in response to high-impact risks and opportunities (see table opposite). We will respond to risks by identifying measures to further strengthen our ability to avoid or mitigate them, while opportunities will be proactively incorporated into our business.

Defining Our Response

Risk			Current initiatives	Future initiatives	
Type	Category	Sub-category			
Transition	Policy & regulations	Acting on GHG emissions regulations	<ul style="list-style-type: none"> Reduce number of transport vehicles by delivering mixed loads of ambient and chilled goods Install electric air conditioning equipment when refurbishing stores → approximately halve CO₂ emissions Centralize control of chilled and frozen display units → limit energy consumption Install charging stations for electric vehicles Conserve energy through Cool Biz measures Upgrade temperature control equipment and chillers in existing stores, reducing CO₂ emissions Introduce E-nudge systems 	<ul style="list-style-type: none"> Continue upgrades of temperature control equipment and chillers in existing stores, reducing CO₂ emissions Expand introduction of E-nudge systems to additional stores 	
		Plastics regulations	<ul style="list-style-type: none"> End free provision of grocery bags Use grocery bags containing 25% biomass-derived polyethylene 	<ul style="list-style-type: none"> Use grocery bags containing 30–50% biomass-derived polyethylene 	
		Recycling regulations	<ul style="list-style-type: none"> Set up collection points in all stores for milk cartons, Styrofoam food trays, PET bottles, etc. Set up collection units for waste paper Offer eco-friendly wrapping for gifts Launch campaign to encourage donation of unwanted clothing 	<ul style="list-style-type: none"> Introduce a closed-loop recycling system for PET bottles, from collection to recycling Introduce shopping baskets made from recycled plastic 	
		Renewable energy policies	<ul style="list-style-type: none"> Install electric air conditioning equipment when refurbishing buildings → approximately halve CO₂ emissions Centralize control of chilled and frozen display units → limit energy consumption Install charging stations for electric vehicles Buy surplus solar energy with our digital currency Conserve energy through Cool Biz measures 	<ul style="list-style-type: none"> Create new 100% renewable energy stores where all electric power energy related to store operations is procured from renewable sources 	
		Energy conservation policies	<ul style="list-style-type: none"> Adopt LED lighting in all stores Install rooftop solar panels to generate electricity 	<ul style="list-style-type: none"> Expand the number of stores with solar panels installed 	
		Changing raw material costs	<ul style="list-style-type: none"> Implement initiatives to reduce food loss 	—	
		Changing demand for key products	<ul style="list-style-type: none"> Stock eco-friendly products 	<ul style="list-style-type: none"> Expand range of eco-friendly products 	
	Changing customer behavior	<ul style="list-style-type: none"> Sell underwear made from recycled PET 	<ul style="list-style-type: none"> Continue sales of underwear made from recycled PET 		
	Reputation	Changing reputation among our customers	<ul style="list-style-type: none"> Visualize the status of our solar power generation Support food drives and donate households' unwanted food items to welfare organizations and facilities via food bank organizations 	—	
		Changing reputation among our investors	<ul style="list-style-type: none"> Utilize proceeds from grocery bag sales to make donations 	<ul style="list-style-type: none"> Utilize proceeds from grocery bag sales to make donations Donate a portion of sales proceeds from our in-house food products brand zehi to organizations supporting volunteer-run cafeterias providing free or low-cost meals to children 	
	Physical	Acute	Increasing severity of extreme weather events (typhoons, torrential rain, mudslides, storm surges, etc.)	<ul style="list-style-type: none"> Prepare a comprehensive guide to be used in case of emergencies and share it with all employees 	<ul style="list-style-type: none"> Anticipate climate change and extreme weather events and provide products accordingly
			Rise in average temperatures	—	<ul style="list-style-type: none"> Expand online shopping and delivery businesses
		Chronic	Changing rainfall and weather patterns	<ul style="list-style-type: none"> Run online shopping and delivery businesses 	<ul style="list-style-type: none"> Expand online shopping and delivery businesses
Changing marine environments	—		<ul style="list-style-type: none"> Work to procure certified sustainable marine products 		

Risk Management


We conduct scenario analysis in order to understand the various risks and opportunities that will result from climate change and continually evaluate the suitability of our strategy, striving to minimize risk. Our Sustainability Committee also deliberates on and manages risk with a view to enhancing our competitive edge.

Risks are identified through a process of consideration by the Sustainability Committee and reporting to the Board of Directors. Risk severity is evaluated through scenario analysis, which involves not only qualitative evaluations but also quantitative impact evaluation for a full understanding of the degree of financial impact that climate change is likely to have.

Climate change-related matters, including risk management, are deliberated on and coordinated around by the Sustainability Committee, under the supervision and instruction of the Board of Directors. The Committee also collaborates with relevant Izumi departments and Group companies around the impacts of these issues, leading the identification of risks and opportunities and working to gain a full understanding of the situation.

Indicators and Targets

Izumi has identified the combined goal of achieving a decarbonized society and efficiently using resources as one of our materialities (see page 26). On the road to this goal, we set reducing CO₂ emissions associated with store operations by 30% (relative to 2013) by 2030 and reducing CO₂ emissions associated with store operations to zero by 2050 as KPIs in our 2021 medium-term management plan. In May 2022, we revised the former into the more ambitious target of reducing CO₂ emissions associated with store operations by 50% (relative to 2013) by 2030.

 For further details on our action on climate change, please see our sustainability website (in Japanese). <https://izumi.co.jp/sustainability/environment/>

Expanded utilization of renewable energy

We began generating solar power in 2015 and began installation of solar panels on store roofs in 2021 through a power purchase agreement (PPA) model. Solar panels have been installed at 20 stores, including Youme Town Masuda and Youme Mart Yahata (as of February 2023).

Youme Mart Saijo, which opened in 2023, is Izumi's first store to run on 100% renewable energy. It uses energy generated on-site by solar panels installed on its roof. If this solar power is insufficient, additional renewable energy is provided by the Chugoku Electric Power Co., Inc.

Expansion of EV charging stations

Electric vehicles (EV), which have no tailpipe emissions, continue to grow in popularity as an eco-friendly vehicle option. Izumi is working to expand provision of charging stations in the aim of promoting the switch to EVs, with stations in place at a total of 18 stores, including Youme Town Hikanomori, Youme Town Takamatsu, Youme Town Hatsukaichi, and Youme Mart Saijo (as of February 2023). Going forward, we plan to continue to install additional stations.

Advancing energy conservation

In the aim of furthering energy conservation, we are working to switch to LED lighting and upgrade chiller and temperature control equipment.

We are proceeding with the switch to LED lighting on our stores' sales floors, and have completed this switch for our directly-managed sales floors. Going forward, we plan to progressively switch to LED lighting for backrooms, parking lots, and specialty stores.

Upgrades to our chiller equipment include implementation of energy-saving measures, such as covering chiller display cases at night with covers that prevent cold air loss. We have also introduced inverter systems in all stores, centralizing control of chiller equipment. These systems reduce energy consumption while automatically maintaining optimal temperatures within the units 24 hours a day.

We are upgrading temperature control equipment through an ongoing switch from conventional air conditioning units powered by heavy oil to electric air conditioning equipment when refurbishing stores or carrying out other works. By installing electric air conditioning equipment, we are reducing associated emissions of the greenhouse gas CO₂ by approximately half, contributing to curbing global warming.

Running the Lights Off Project to reduce energy consumption

Since April 1, 2022, all Izumi Group stores have been taking part in our Lights Off Project. Against the backdrop of continuing global warming as a result of CO₂ emissions, the Lights Off Project is an initiative to limit global warming through reducing CO₂ emissions by switching off our lighting at certain times.

Stores' rooftop extensions (rooftop signage) are not illuminated after 8 p.m.* In addition, 20% of indoor lighting is switched off for one hour after opening and one hour before closing.

* We are enhancing energy-saving action at the employee level, such as raising the set temperature of our air conditioners by 1°C during the summer, and working to reduce electricity usage.

*Not all stores take part in this aspect of the project



Acting on the shift toward a recycling-oriented society

Effective use of food resources and reducing food loss

Vegetable peelings, waste oil, and other food waste from our stores is sorted in accordance with governmental rules and consigned to specialist operators for recycling. Food waste from our four stores in Higashihiroshima, for example, is recycled into organic fertilizer by the local Futaba Sankyo Corporation. These and other initiatives make effective use of food resources.

In the aim of reducing food loss, we have been running the Mogumogu Challenge since 2021. This initiative allows customers who purchase a product close to its best-before or use-by date and labelled with a Moguni sticker to collect these stickers for entry into prize drawings or trade them in to donate 1 yen per sticker to volunteer-run cafeterias providing free or low-cost meals to children. In fiscal 2022, we collected 832,529 Moguni stickers, a significant increase from the 448,110 collected the previous fiscal year. The number of participating stores has also increased dramatically, from 40 in the previous fiscal year to 99 as of February 2023. In addition, through



Left: Mogumogu Challenge information corner in a store
Right: A food drive collection point at the entrance to a Youme Mart

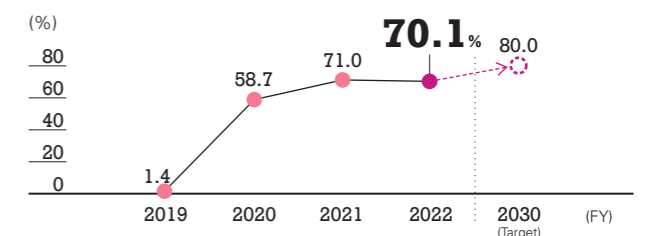
initiatives like food drives, where we accept customer donations of their households' unused food items and deliver these to those who need them, we are also contributing to reducing household food loss. The number of food items donated totaled 29,648 in fiscal 2022.

Action on plastics

The Izumi Group started a campaign encouraging shoppers to bring their own bags in 1997, which has resulted in at least 80% of customers bringing their own bags to our stores today.

We replaced plastic cutlery with wooden and paper alternatives in March 2022. Cutlery is now provided at our registers only on request and customers are asked how many sets they require. In October 2022, we also began a bottle-to-bottle "horizontal recycling" scheme, collecting used PET bottles and recycling them into new ones. We are working with Suntory Beverage & Food Limited to set up collection units at our stores, with units in place at 9 stores as of February 2023.

Reduction in plastic bag usage (relative to FY2018)



Sustainable procurement

Formulation of our procurement policy

We have formulated a procurement policy comprising the nine requirements shown to the right, as part of our commitment to being a company that fills our employees with pride and joy as we continue contributing to communities and our customers' lives. Establishing this policy will help Izumi and everyone involved in our business—from our executives and employees to our business partners—fulfil the social responsibilities associated with our product manufacturing processes.

We will work together with our business partners involved in the manufacture of Izumi Group products to observe the requirements stipulated by this policy.

 Please see our sustainability website (in Japanese) for the full text of our procurement policy. <https://izumi.co.jp/sustainability/environment/>

Procurement policy

1. Provision of safe, secure products
2. Compliance with laws and regulations
3. Respect for human rights
4. Improving working conditions
5. Fair trading
6. Data protection
7. Environmental protection
8. Contribution to local communities
9. Building and operation of systems geared toward practical use

Coexistence with local communities

Managing the Izumi Maple Reds, a corporate sports team

We manage the Izumi Maple Reds, a corporate women's handball team, and all players work in Izumi Group companies. In addition to striving to achieve a balance between work and sporting events, we are also engaged in handball classes for elementary school students and cleaning activities with the aim of revitalizing local communities through sports.



They have won 8 championships in the Japan Handball League in the past

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

We are furthering cooperation with local governments in the areas where we operate in order to collaborate on solutions to local issues, such as child care support, industry promotion, health promotion, and environmental conservation. In April 2022, we partnered with Arao City, Kumamoto Prefecture, to relocate Arao City Library within Arao City Mall (Youme Town City Mall since September of the same year), and partnered

with Ube City, Yamaguchi Prefecture in May 2023 to relocate the childcare support center to Youme Town Ube.

We have also signed agreements on emergency supplies and evacuation facilities, and in the event of an earthquake or torrential rain, we will promptly respond to the situation to ensure the safety of the local community.

Received the 2022 Furusato Enterprise Award

Izumi received the 2022 Furusato Enterprise Award (Minister of Internal Affairs and Communications Award) sponsored by the Japan Foundation for Regional Vitalization (Furusato Foundation) and was awarded on November 3, 2022. It was the first time for a retailer to win the award.

The award came from the recommendation of Hatsukaichi City, which recognized that Youme Town Hatsukaichi has made efforts to contribute to the local community since its opening in 2015. We will continue to promote regional contribution activities at all of our stores.



From the left: Yasuaki Yamanishi, President of the Company, and Taro Matsumoto, Mayor of Hatsukaichi City, Hiroshima Prefecture

Ensuring food safety and security

Constructing a quality control system

In March 2023, we strengthened the organization in charge of quality control and product display so that customers can shop with peace of mind. We are working to create safe and hygienic stores by thoroughly implementing hygiene management in accordance with HACCP, food labeling, etc., and conducting regular microbial inspections of food prepared in-store. 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. In addition, we assign product quality checkers to all our stores and endeavor to increase awareness of relevant issues through regularly held workshops on subjects such as labeling.



Quality control inspection office at the Head Office

Human capital

Our basic stance

The Izumi Group takes pride and joy in participating in the vitalization of local communities and the improvement of customers' quality of life as a member of the community, and aims to cultivate employees who can contribute to the community. Based on the idea that the value of people is everything in physical stores, we also aim to develop human resources who can respond to the drastic changes in customer needs and the social environment. Izumi cherishes its DNA of innovation, challenge, and speed, which has been passed down since its foundation, and we are working to develop

independent human resources who are always curious and challenge themselves to take their work one step further.

Furthermore, amid diversifying work objectives, desired work styles, and values for careers, we aim to create an environment in which employees with diverse backgrounds can choose flexible work styles according to their individual ideas and circumstances, and can thrive in their own way according to their motivation and abilities, regardless of gender, age, or educational background.

Key challenges and efforts to solve them

Key challenges	Efforts and stance to solve challenges	Examples of specific systems and efforts
Human resources development	Conduct selective training with the aim of developing next-generation leaders and employees with a wide range of knowledge	Izumi University (training of management personnel including external courses), U.S. distribution training (consideration of the future of distribution, enhancement of product competitiveness)
	Implement rank-specific training to acquire and improve practical skills	Store manager cram school, manager academy, chief academy
	Support self-development in order to develop independent human resources who learn on their own	Online course subsidy system, correspondence education subsidy system, external qualification acquisition support system
Increased employee engagement	Further promote work style reform	Reduction of total actual working hours and promotion of taking consecutive holidays
	Leverage engagement surveys to solve challenges and learn from the results	Department manager interviews, engagement survey utilization training
	Emphasize two-way communication and promote dialog	Quarterly interviews with superiors and subordinates, and Dale Carnegie Training
Human resource acquisition and retention	Diversify hiring methods to secure human resources, which is becoming increasingly difficult year by year	Year-round career hiring, job-oriented hiring, in-store spot worker hiring
	Work to establish a firm foothold with a focus on young employees up to the fourth year of joining the company	Establishment of bonds through annual training from joining the company to the fourth year, follow-up through personnel interviews, and development of various systems (housing subsidy, hometown and homecoming travel subsidy, scholarship subsidy)
Diversity and inclusion	Create an environment in which women can thrive and foster awareness throughout the company	Leadership training for female employees, online exchange meetings, establishment of company-led childcare facilities, and unconscious bias training
	Provide a place where diverse human resources, such as the disabled and the elderly, can thrive	Cooperation with special needs schools, internships for people with disabilities, and a re-employment system for the elderly
Promotion of health management	Based on the belief that the health of employees leads to the health of the community, implement initiatives to maintain and improve the health of employees and to prevent pre-symptomatic diseases	Holding health seminars, utilizing healthcare apps, reforming cafeterias, preventing and reducing occupational accidents, and reducing leave of absence and absenteeism through mental health care

Izumi University develops management human resources

As the Izumi Group is in a period of major transformation, we are looking for human resources who can take charge of future management. Business execution ability is not the only important element (competency) for those in management positions. From a long-term business perspective, it is important to have the ability to achieve sustainable growth of the company by setting business objectives and goals, formulating management strategies, and executing strategies while exercising leadership.

Izumi University aims to develop such management personnel within the company. There are three courses (section managers / store managers, department managers / general managers, and executive officers) and selected members take a two-year program to hone their leadership skills, hypothetical thinking skills, and management strategy thinking skills. In the section managers / store managers course, as future management candidates, employees learn the basics by understanding the stepping stones of management, and acquire the skills necessary to master each process of leadership and translate it into practical actions. In the department managers / general managers course, employees gain an understanding of the overall picture, take a bird's-eye view of the company from the perspectives and viewpoint required of management, and develop the ability to think on their own about issues that need to be resolved and change the situation. In the executive officers course, we develop leaders who can think and make decisions from a company-wide perspective by acquiring the decision-making skills and criteria necessary for management.



During the program

Diversity and inclusion

Diversity and Inclusion Policy

The Izumi Group aims to be a company "filling our employees with pride and joy as we continue contributing to communities and our customers' lives" in its management philosophy. Regardless of race, nationality, age, gender, sexual orientation or gender identity, religion, beliefs, culture, disability, career, or lifestyle, we believe that being an organization where

employees from diverse backgrounds respect each other, treat everyone fairly in information and opportunities, demonstrate their abilities and individuality, and feel rewarded and grow through their work is a source of competitiveness.

Creating an environment where all employees can thrive

We are implementing the Youme Can Project to eliminate the gender gap, and aim to become a company where employees with diverse backgrounds can fully demonstrate their abilities and thrive in their own way.



Harumi Tobisu
Section Manager, Public Relations Section, General Affairs Department
Youme Can Project Leader

Creating an environment where diverse human resources can thrive and be themselves

In the Youme Can Project, we have introduced a personnel system, conduct awareness-raising and skill-raising training, and publish an in-house newsletter four times a year with messages from senior management and the progress of project activities. In addition, we foster career awareness by having about 50 female employees participate in leadership training to develop female managerial candidates every year. We aim to raise the ratio of women in managerial positions to 20%* (February 2024) and the rate of men taking childcare leave to 100%, and are working to review and raise awareness of unconscious bias. Currently, we are expanding these activities to Group companies, regularly checking progress and sharing issues. First, we would like to bridge the gender gap and create a workplace where diverse human resources can thrive, leading to future innovation.

* Non-consolidated, Izumi standard

Proportion of female workers in managerial positions, rate of men taking childcare leave, etc., and wage gap between men and women (as of February 28, 2023)

Izumi and consolidated subsidiaries ¹	Ratio of female employees in managerial positions ²	Rate of men taking childcare leave, etc. ³	Gender wage gap ⁴		
			All employees	of which full-time employees	of which part-time or fixed-term employees
Izumi Co., Ltd.	9.7%	101.6%	53.4%	69.0%	102.1%
Youme Card Co., Ltd.	20.9%	100.0%	51.3%	68.1%	209.3%
Izumi Techno Co., Ltd.	1.3%	75.0%	50.7%	71.8%	60.3%
Izumi Food Service Co., Ltd.	9.8%	25.0%	50.6%	81.7%	114.2%
Youme Delica Co., Ltd.	5.3%	0.0%	60.7%	75.7%	86.2%
Youme Mart Kumamoto Co., Ltd.	7.0%	0.0%	47.7%	76.6%	111.7%
Youme Mart Kitakyushu Co., Ltd.	4.0%	0.0%	51.7%	74.6%	85.9%
Yours Co., Ltd.	7.3%	100.0%	64.0%	82.2%	96.2%
Dailymart Co., Ltd.	8.3%	—	50.1%	86.3%	91.7%

¹ Refers to Izumi and its consolidated subsidiaries subject to the disclosure obligation of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) (hereinafter referred to as the "Women's Participation Promotion Act"), etc.

² The ratio is calculated based on the provisions of the Women's Participation Promotion Act.

³ Under each item of Article 71-4 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), the rate is calculated by adding the number of male employees taking childcare leave in the most recent business year to the number of male employees who used the leave system for childcare of children until they begin elementary school (excluding childcare leave, etc. and child sick care leave, and dividing that by the number of male employees with spouses who gave birth in the most recent business year. Under the childcare leave system, employees are granted three consecutive days of special leave (paid leave) within eight weeks of their child's birth. If leave for childcare is not included, the acquisition rate is 14.1%. For other consolidated subsidiaries, it is calculated by dividing the number of male workers taking childcare leave by the number of male workers whose spouses gave birth.

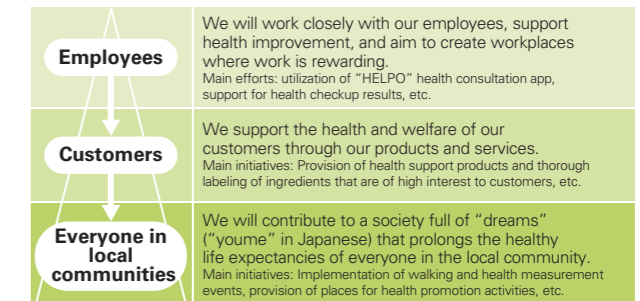
⁴ Shows the ratio of women's wages to men's wages. Wages include basic wages, remuneration for overtime work (overtime work, holiday work, and late night work), bonuses, and commuting allowances, etc.

Efforts in health management

Aiming to realize our management philosophy of "filling our employees with pride and joy as we continue contributing to communities and our customers' lives," the Izumi Group supports the health and welfare of customers and employees, and strives to create a society with "dreams" ("youme" in Japanese) by conducting events and activities that lead to the health of the local community.

In April 2023, we issued our Health Management Declaration, and started full-scale initiatives to maintain and improve health for our employees, customers, and everyone in the local community.

Izumi Group Health Management Declaration



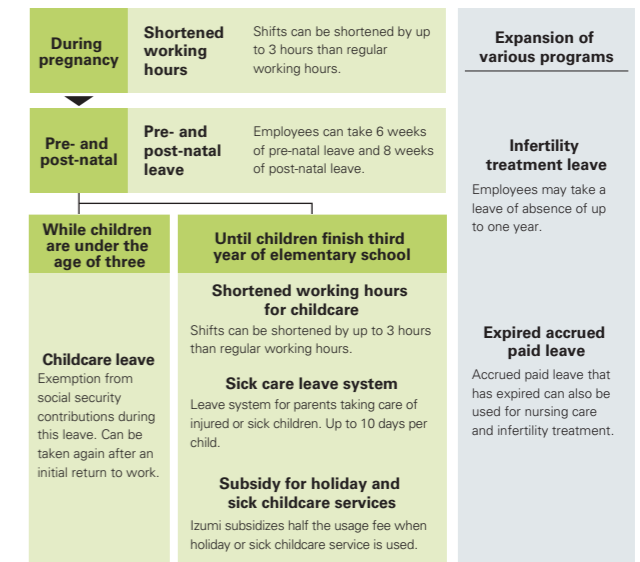
Achievement of a work-life balance

Izumi has been promoting affirmative action for gender equality since 1995, supporting the balancing of work with childcare and caregiving responsibilities. Besides providing company-run childcare facilities at Youme Town Hikinomori and Youme Town Hatsukaichi, we have established a childcare leave system that exceeds the legal requirements. The number of male employees taking childcare leave, etc. in conjunction with couples' childcare leave*, our unique type of leave for the purpose of childcare, increased. Therefore, the rate of male employees taking these leaves increased from 31.3% in the previous fiscal year to 101.6% in the current fiscal year.

In addition, as an initiative to rectify long working hours, we are utilizing AI technology in operations such as ordering operations and sales forecasting, and incorporating personnel evaluations that emphasize labor productivity per hour.

* Couples' childcare leave: When a spouse gives birth, it is recommended that the person take 3 consecutive days of leave within 8 weeks of the child's birth.

Childcare leave system



Once employees have returned to work, we invite them to periodic meetings and provide career support.

Human rights

Respect for human rights

In order to strengthen our efforts to respect human rights, the Izumi Group has established a Human Rights and D&I Subcommittee, headed by the Administration Division Manager, as an organization belonging to the Sustainability Committee, and have built and operate a human rights due diligence mechanism based on the Izumi Group Human Rights Policy*. While deepening the understanding of human rights throughout the Group, we also continuously implement initiatives, and submit and report compliance with the Human Rights Policy and those initiatives to the Board of Directors and the Sustainability Committee.

As a result of the human rights risk assessment, we have identified three themes as items that are directly related to our

company and have a particularly serious and potential risk with a high degree of severity and likelihood of occurrence: response to foreign workers across the Group, prevention of harassment in the workplace, and elimination of child labor and forced labor in the supply chain. We regularly conduct impact assessments on these themes. In addition, if negative impacts on human rights occur, we will work to prevent and mitigate them, evaluate the effectiveness of those efforts, and promote continuous improvement based on the results.



* Please refer to our sustainability webpage (in Japanese) for the Izumi Group Human Rights Policy.
<https://izumi.co.jp/sustainability/social/>

List of Executives

Directors



	Yasuaki Yamanishi President and Representative Director	Tatsuya Mikamoto Deputy President and Director	Shigeki Machida Deputy President and Director	Hiroshi Kuromoto Director	Daisuke Yamanishi Director
Main career history	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)	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 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)	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 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 Mar. 2023 Deputy President and Director of the Company (current position)	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)	Aug. 2005 Joined the Company Sep. 2017 General Affairs Department Manager of the Company Mar. 2020 Executive Officer and Chuo Business Department Manager of the Company Mar. 2021 Executive Officer and Operating Process Reform Division Manager of the Company Mar. 2022 Senior Executive Officer and Administration Division Manager of the Company May 2023 Director and Corporate Planning Division Manager of the Company (current position)
Rate of Attendance at Board of Directors Meetings (FY2/2023)	13/13	12/13	13/13	13/13	—
Rate of Attendance at Audit & Supervisory Board Meetings (FY2/2023)	—	—	—	—	—
Number of Shares Held	2,048,449	9,041	11,010	6,577	740,369

Possessed Experience and Skills Areas in which our directors and Audit & Supervisory Board members have (●) or are developing (○) expertise or experience

Business management Management strategy	●	●	●	●	○
Ability to respond to change	●	●	●	●	●
Retail experience	●	●	●	●	●
Product development Merchandising	●	●	●	●	●
Store opening strategy	●	●	●	●	○
Financial accounting Finance	●	●	●	●	●
Governance Risk management Legal affairs	●	●	○	●	○
Personnel & labor Capacity building	●	●	●	●	●
ESG Sustainability	●	○	●	○	●
IT Promoting digital transformation	○	●	○	●	○

Executive Officers

Managing Executive Officer

Yuichiro Kajihara

Senior Executive Officers

Susumu Mizoguchi

Mutsuo Abe

Executive Officers

Keishi Okamoto

Shinsuke Numamoto

Tomohiro Kawasaki

Masamichi Yamano

Atsushi Kobayashi

Takeshi Matsushige

Tadatoshi Yanai

Kiminari Taira

Shinsaku Hirose

Taikou Miyatsugu

Audit & Supervisory Board Members



	Masahiro Nishikawa Director (Outside Director / Independent Director)	Kunihiko Yoneda Director (Outside Director / Independent Director)	Naomi Aoyama Director (Outside Director / Independent Director)	Hideaki Hisanaga Audit & Supervisory Board Member (Full-time)	Tomoko Horikawa Audit & Supervisory Board Member (Outside Auditor / Independent Auditor)	Hirotaka Okada Audit & Supervisory Board Member (Outside Auditor / Independent Auditor)
Main career history	Apr. 1972 Joined NISHIKAWA RUBBER CO., LTD. Jun. 1979 Director of NISHIKAWA RUBBER CO., LTD. Mar. 1985 Senior Managing Director of NISHIKAWA RUBBER CO., LTD. Oct. 1986 Representative Director President & Chief Executive Officer of NISHIKAWA RUBBER CO., LTD. (current position) Jun. 2017 Representative Director Chairman of NISHIKAWA RUBBER CO., LTD. (current position) May 2023 Outside Director of the Company (current position)	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)	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) May 2021 Outside Director of the Company (current position) Aug. 2022 Outside Director of ASKUL Corporation (current position) May 2023 Visiting Professor at iU Professional University of Information and Management for Innovation (current position)	Apr. 1984 Joined the Company Nov. 2010 General Manager of the Company's Takamatsu store Oct. 2012 Department Manager of Chuo and Sanin zones of the Company Sep. 2017 Kaizen Promotion Department Manager of the Company Jun. 2021 General Manager of Yumesaito of the Company Mar. 2023 Associate Director of Audit & Supervisory Board Member's Office of the Company May 2023 Audit & Supervisory Board Member of the Company (current position)	Oct. 1991 Certified public accountant, joined Century Audit Corporation Mar. 1999 Retired from Century Audit Corporation Joined Chugoku Mokuzai Co., Ltd., Audit & Supervisory Board Member (full-time) 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) Oct. 2022 Chairman and Representative Director of the Board of Chugoku Mokuzai Co., Ltd. (current position)	Jul. 2009 District Director of Takehara Tax Office 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)
Rate of Attendance at Board of Directors Meetings (FY2/2023)	—	13/13	13/13	—	13/13	13/13
Rate of Attendance at Audit & Supervisory Board Meetings (FY2/2023)	—	—	—	—	14/15	15/15
Number of Shares Held	—	—	100	350	—	—

Message from Outside Director



I will make use of the experience I have cultivated in different industries to contribute from a new perspective

Masahiro Nishikawa Director [Outside and Independent Director]

I was appointed as an Outside Director of Izumi in May 2023. I am the chairman of NISHIKAWA RUBBER CO., LTD., which is based in Hiroshima. NISHIKAWA RUBBER is a component manufacturer whose main products are door seals for automobiles. It has dealings with automobile manufacturers both in Japan and overseas, and has manufacturing, development, and sales bases in seven countries overseas. The automobile industry is facing a once-in-a-century period of major transformation, and amid advances in electrification and intelligence, NISHIKAWA RUBBER is also anticipating the changes of the times and taking on the challenge of transforming its organizational structure.

In manufacturing, safety is a top priority. I would like to make use of the experience I have cultivated as a manager with safety as the top priority in Izumi's management. I believe that the issue of safety is the same for both the manufacturing and retail industries. From the perspective of employee safety, it is

important to implement health management initiatives to ensure that employees do not suffer from accidents in the workplace, as well as to ensure that their physical and mental health are not harmed by long working hours, inappropriate handling of hazardous materials, and various types of harassment. In addition, from the perspective of corporate safety, it is important to ensure compliance and strengthen governance. Risk management initiatives, such as taking into account the formulation of a business continuity plan, may also contribute to the safety of the Company.

I think there are many differences in what is common sense between Izumi and NISHIKAWA RUBBER, which are in different industries. I would like to continue to thoroughly discuss the reasons for these differences from the perspective of what is common sense for an outsider at meetings of the Board of Directors. While contributing to the growth of the Group, I will strive to enhance the Group's corporate value.



I will contribute to strengthening governance based on my knowledge of business administration

Kunihiko Yoneda Director [Outside and Independent Director]

It is not easy to instill the strategies of top management throughout a company. A lot of research has been conducted in my specialty field of business administration to understand why this is the case. Under such circumstances, Izumi averted crisis by implementing a policy from top management under the declaration of a state of emergency due to the COVID-19 pandemic, and implementing the strategy as a whole.

I think one of the reasons for this instillation is that the top managers often look around the stores on a daily basis. Before the pandemic, I also visited many Youme Towns and met with general managers and store managers. When I visited a store in Kyushu and talked with the store manager, I was surprised to hear that the founder, who was over 90 years old at the time, had visited the store three times in a short period of time. The current president also vigorously visits stores. In other words,

Izumi was able to respond to the crisis because it had a system that made it easy for the views of top management to penetrate into stores on a daily basis. I also think one of the reasons is that there are talented people who can execute the strategy.

In terms of governance, since 2017, we have been conducting questionnaires on the effectiveness of the entire Board of Directors, conducting analysis, evaluation, and discussion, and implementing a PDCA cycle to improve the functions of the Board of Directors. Interviews were also held with directors and executive officers, and the standards for executive remuneration have become transparent to outside directors. I will continue to do my utmost to contribute to strengthening corporate governance and enhance corporate value.



I will build a governance structure suitable for Izumi to enhance corporate value

Naomi Aoyama Director [Outside and Independent Director]

Outside directors and outside Audit & Supervisory Board members take the lead in discussions at Izumi's Board of Directors meetings, and exchange opinions from their respective fields of expertise. I feel that it has become a discussion forum where opinions can be freely exchanged, and that the information that is the premise of the discussion is also transparent. I have served as an independent outside director at several companies, and I believe that Izumi's governance is comparable to that of other companies listed on the Prime Market, and is at a top-class level in some respects. For example, in fiscal 2022, under the leadership of the Appointment & Remuneration Committee, interviews were held one by one with outside officers, including Audit & Supervisory Board members, and all directors and executive

officers. It was a good opportunity for outside directors and outside Audit & Supervisory Board members to exchange their opinions frankly on the issues and possibilities of the Company. I can confidently say that it is a board with smooth communication that places importance on a certain sense of distance, which is the cornerstone of governance.

Going forward, in order to increase Izumi's corporate value, I will continue to search for governance appropriate to the Company from the standpoint of an independent outside director, and think more deeply about what I can do. I would also like to improve myself so that I can utilize my activities and experiences outside the Company in its management, and further meet the expectations of all stakeholders.

Corporate Governance

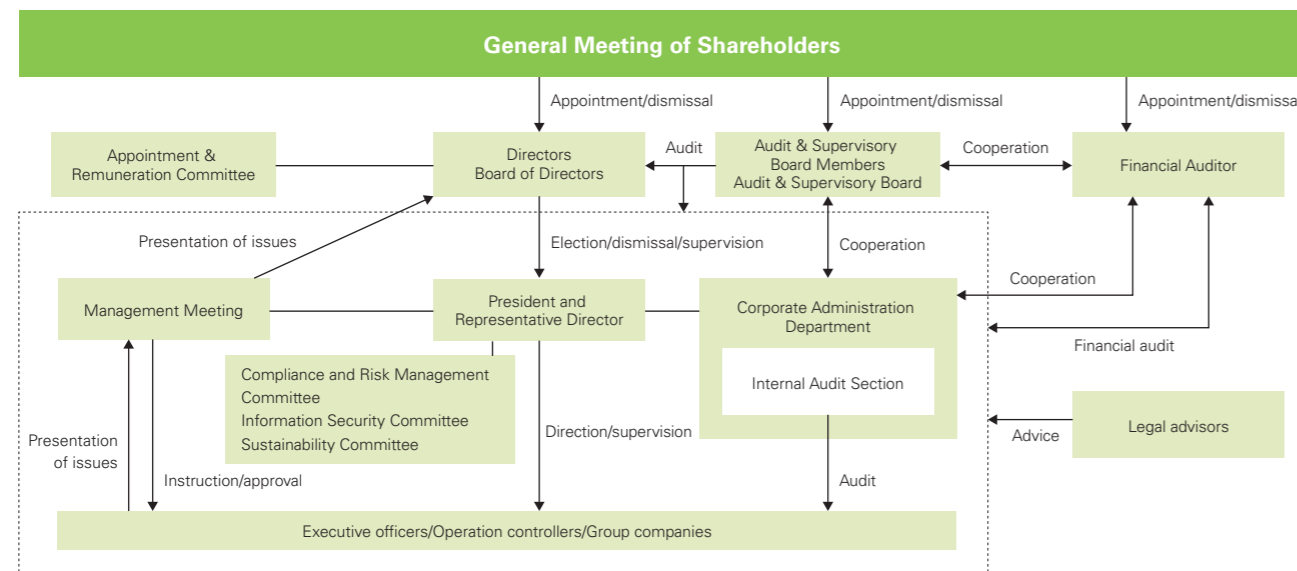
Our basic approach

We aim to maximize our corporate value by achieving customer satisfaction while fulfilling our social responsibilities in line with high ethical standards, allowing us to meet the expectations of our customers, employees, business partners, local communities, and other stakeholders.

In order to improve corporate value over the medium to long term, we have prioritized improving the transparency,

fairness, and productivity of our corporate activities, and are continuously promoting compliance-oriented management aimed at reforming our managerial framework, establishing various systems, and enhancing our internal control system, as well as working to fully actualize corporate governance that is trusted by our stakeholders.

Corporate governance structure (As of February 28, 2023)



Organizational Roles (As of February 28, 2023)

Directors and Board of Directors	The Company's Board of Directors is composed of eight directors, including three independent outside directors (one of whom is a woman). We have set the term of office to two years, and are striving to achieve transparent business execution and clarified management responsibilities. The Board of Directors generally meets once a month to fully deliberate and supervise the execution of director duties. In addition to what is stipulated in laws and regulations and our Articles of Incorporation, decisions are made on important matters related to our business in accordance with the rules of the Board of Directors.
Audit & Supervisory Board members and Audit & Supervisory Board	The Audit & Supervisory Board is composed of three members, including two outside Audit & Supervisory Board members, who objectively express their opinions on resolutions of the Board of Directors, and audit the decision-making and the status of business execution of directors.
Appointment & Remuneration Committee	In response to consultations by the Board of Directors, the Committee deliberates on matters concerning the appointment and dismissal of directors (matters to be resolved at the General Meeting of Shareholders), the appointment and dismissal of the Representative Director, remuneration of directors, succession plans including the development of directors, and the formulation and revision of policies and standards related to these matters, and reports to the Board of Directors. Based on the report, the Board of Directors will again deliberate and make a decision.
Management Meeting	Matters to be resolved by the Board of Directors are deliberated at the Management Meeting, and the Board of Directors is consulted on the results. In addition, decisions are made on matters provided for in the rules of the Management Meeting.
Compliance and Risk Management Committee	The Committee provides training to raise compliance awareness throughout the Group, conducts monitoring reports on each risk, and discusses countermeasures.
Information Security Committee	The Committee deliberates on company rules and regulations related to information security, as well as other important matters.
Sustainability Committee	The Committee plans, formulates, and makes recommendations on sustainability strategies and initiatives for the entire Group.
Internal Audit Section	The Section provides advice and guidance to each department in the Head Office, each store, and Group companies, and reports the results to the Representative Director and Audit & Supervisory Board members.

Corporate Governance system overview (As of February 28, 2023)

Organizational configuration	Company with an Audit & Supervisory Board
Number of directors	8 (including 3 outside directors)
Audit & Supervisory Board members	3 (including 2 outside Audit & Supervisory Board members)
Directors' term of office, as per our articles of incorporation	2 years
Chairman of the Board of Directors	Yasuaki Yamanishi (President and Representative Director)
Executive officer system	In place
Voluntary Advisory Committee to the Board of Directors	Appointment & Remuneration Committee established
Financial Auditor	KPMG AZSA LLC.

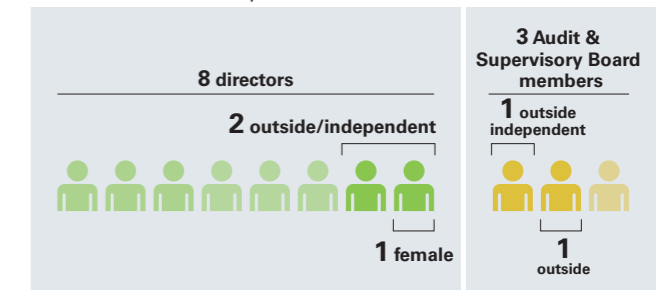


Please refer to our Corporate Governance Report for details (in Japanese).
<https://www2.jpx.co.jp/disc/82730/140120230428556790.pdf>

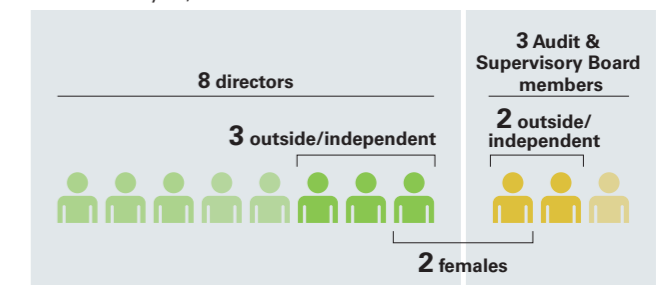
Our transition to a strengthened governance system

FY	Our initiatives
2015	<ul style="list-style-type: none"> Assigned two outside directors (one male, one female) Established the Outside Directors' Office
2016	<ul style="list-style-type: none"> Disclosed information on each principle outlined in our Corporate Governance Code
2017	<ul style="list-style-type: none"> Assigned an outside director (male) with business management experience First implementation of a questionnaire evaluating the effectiveness of the Board of Directors (once a year afterwards)
2019	<ul style="list-style-type: none"> Established a voluntary Appointment & Remuneration Committee
2021	<ul style="list-style-type: none"> Increased the number of outside directors (female) by one Changed the proportion of independent outside directors to at least one third Reviewed our executive remuneration system (adopted a restricted-stock remuneration system) Disclosed our Board Skills Matrix Established a Sustainability Committee
2022	<ul style="list-style-type: none"> Disclosed information on climate change impacts and related topics (based on the recommendations of the TCFD)

After the conclusion of the Annual General Meeting of Shareholders held in May 2016



As of February 28, 2023



Stance towards the overall balance, diversity, and scale of the Board of Directors

One representative director is selected from among the eight directors, and 13 executive officers are appointed under the representative director and entrusted with business execution. We believe that this enables the Board of Directors to conclude prompt and appropriate decision-making; equips it to fulfill a supervisory and advisory function, from an independent perspective, with regard to the execution of business; and creates a structure in which its members' knowledge,

experience, capabilities, and other capacities from a variety of backgrounds, can be used in management.

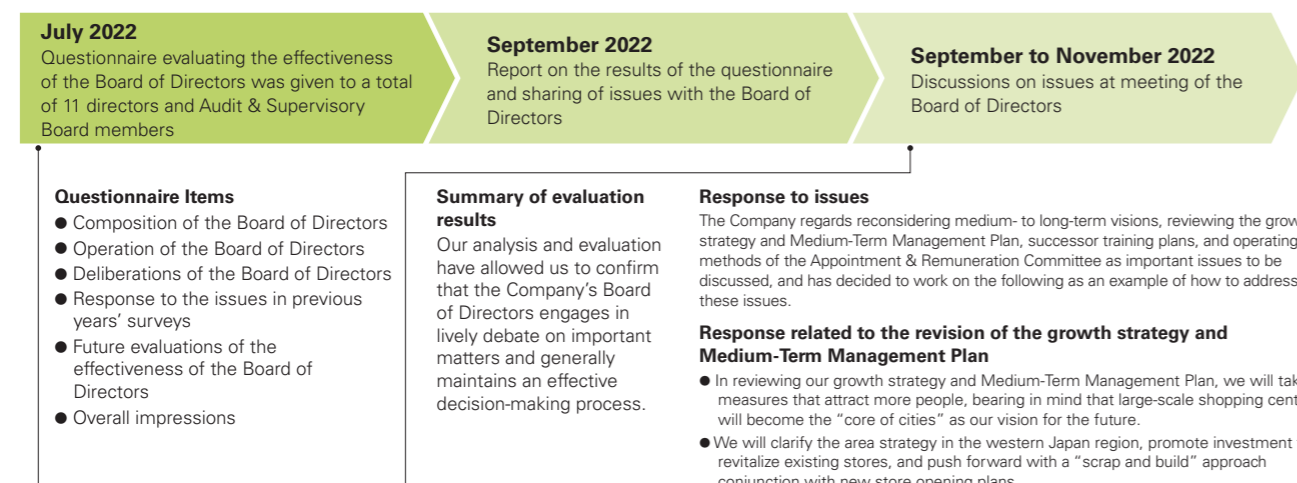
Of our three independent outside directors, two have managerial experience gained at other companies. In addition, we have established a voluntary Appointment & Remuneration Committee as an advisory body to the Board of Directors, with all three independent outside directors serving on the committee to ensure objectivity and transparency.

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



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.

Reason for Appointment as Outside Director

Name	Reason for Appointment
Masahiro Nishikawa	As Representative Director Chairman of NISHIKAWA RUBBER Co., Ltd., a Hiroshima-based company that manufactures and sells automotive parts and other products globally, he has extensive experience and a track record in corporate management. His wealth of knowledge and experience as a corporate manager in the manufacturing industry, which is different from the Company, would greatly contribute to the Company's quality control and productivity improvement. Therefore, the Company has determined that he is an appropriate person to supervise the execution of the Company's business, and has appointed him as an outside director.
Kunihiko Yoneda	As a university professor specializing in business administration, he has a wide range of knowledge and deep insight into corporate management. He provides opinions and advice from an objective standpoint, as well as opinions and advice based on the knowledge he gained through store visits, etc., and strives to improve the effectiveness of the Board of Directors. Therefore, the Company has determined that he is an appropriate person to supervise the execution of the Company's business, and has appointed him as an outside director.
Naomi Aoyama	She established Stylebis Inc. and engaged in the consulting business for e-commerce and other areas. Based on her wealth of experience and knowledge in marketing from a consumer perspective, she has provided opinions and proposals for the Medium-Term Management Plan especially on the promotion of digital investment strategies, diversity, and the SDGs, as well as ESG perspectives in business. Therefore, the Company has determined that she is an appropriate person to supervise the business execution of the Company, and has appointed her as an outside director.

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.

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 amount of remuneration, etc. for the Company's directors and the method for calculating the amount

was resolved at the Board of Directors meeting held in February 2021. Based on the decision policy, the amount of remuneration is deliberated by the Appointment & Remuneration Committee, taking into consideration annual evaluations according to the content of the duties of each director. The Company's 60th Annual General Meeting of Shareholders, held on May 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 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. As a guide, the ratio for basic remuneration : performance-linked remuneration : non-monetary remuneration is 60:25:15 (if KPIs are 100% fulfilled).

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.

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. It 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 provides an incentive to work toward sustainable improvement of corporate value. It also 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 the 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.

Amount of Remuneration, etc. for each Officer Category (FY2022)

Officer Category	Total remuneration, etc. (million yen)	Total remuneration, etc. by type (million yen)			Number of eligible officers
		Basic remuneration	Performance-based remuneration, etc.	Non-financial compensation, etc.	
Directors (excluding outside officers)	333	224	67	40	5
Audit & Supervisory Board Members (excluding outside officers)	13	13	-	-	1
Outside Officers	26	26	-	-	5

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-term management 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.

Dialogue with shareholders and investors

The Company aims to achieve sustainable growth and increase corporate value over the medium to long term through constructive dialogue with shareholders. This dialogue is supervised by the President and Representative Director, with the basic principle of having senior management participate in meetings within a reasonable scope, taking into account the wishes of shareholders and the main matters of interest. For example, opinions and concerns raised by shareholders are reported at Division Manager Meetings and fed back to management. In addition, the Company complies with laws, regulations, and related rules, manages insider information appropriately, and strives to understand the shareholder structure as necessary. The Corporate Planning Department is in charge of IR, cooperating with the General Affairs Department and other related departments, and disseminating information to individual shareholders and institutional investors.

In fiscal 2022, the Company held a briefing session for analysts and institutional investors on the summary of financial

Major IR and SR Activity Results in fiscal 2022

Item	Frequency in fiscal 2022
Annual General Meeting of Shareholders	1 time
Financial Results Briefing (Large meetings)	2 times
Small meetings	6 times
Individual meetings, etc.	total of 105 times
Overseas investor conferences	5 times
Company briefings for retail investors (online)	1 time

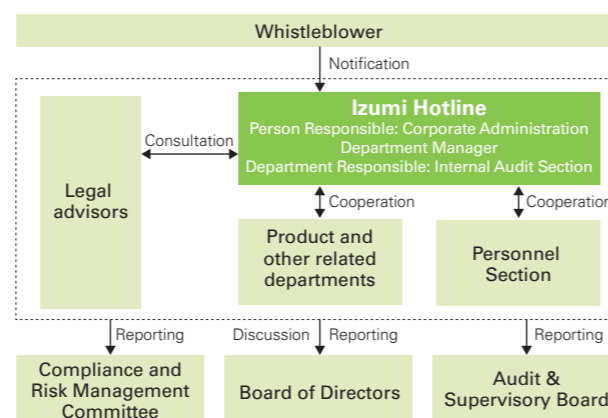
results and management policies after the announcement of financial results for the full year and the second quarter. In addition, communication is actively promoted by exchanging opinions through individual meetings and participating in conferences held regularly by securities companies. Company briefings are held online for individual investors.

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.

In addition, to improve compliance with the law in business activities 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.

Izumi Hotline



Business, etc. risks

The major risks that the President and Representative Director recognizes as potentially having a significant impact on the Group's financial position, operating results, and cash flows are as follows.

Forward-looking statements and major responses are based on the Group's judgments as of May 25, 2023, and business, etc. risks are not limited to the table below.

Item	Major Risks	Major Response
Food Safety	<ul style="list-style-type: none"> Food accidents such as food poisoning or foreign matter contamination or food labeling errors 	<ul style="list-style-type: none"> Strengthen the organization in charge of quality control and product labeling Thorough hygiene management and food labeling in accordance with HACCP Regular microbial testing of in-store prepared food
Climate Change	<ul style="list-style-type: none"> Damage caused by abnormal weather, such as frequent torrential rains and larger typhoons Increased costs of compliance measures and energy costs beyond expectations due to the strengthening of environmental related regulations, as well as restrictions on business activities 	<ul style="list-style-type: none"> Established the Sustainability Committee, which is a cross-sectional organization chaired by the President and Representative Director of the Company Established the Basic Sustainability Policy Formulated a "Climate Change Response Policy" and "Responses Based on TCFD Recommendations" Extracted and identified materiality (priority issues) in response to changes in the social environment
Personnel and Labor	<ul style="list-style-type: none"> Changes in personnel and labor-related laws and regulations and systems, labor supply and demand due to the progress of the low birthrate and aging population, and other changes in the business environment 	<ul style="list-style-type: none"> Recruitment and promotion of diverse human resources regardless of gender, age, background, nationality, etc. Created a work environment where employees can demonstrate their characteristics and abilities, and educated management
Information Security	<ul style="list-style-type: none"> Diversifying and sophisticated computer viruses, cyber terrorism, management errors by employees and contractors, etc. 	<ul style="list-style-type: none"> We 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
Business Continuity	<ul style="list-style-type: none"> In the event of a large-scale natural disaster that exceeds expectations, damage to buildings and equipment of business hubs such as stores, interruption of various infrastructures, suspension of information systems, disruption of supply chains and absence of decision makers, etc. 	<ul style="list-style-type: none"> Formulated basic policies in the event of a large-scale disaster in the regions where our business hubs are located Formulated business continuity plans (BCPs) and established business continuity management (BCM) systems at each business hub
Market Fluctuations	<ul style="list-style-type: none"> Influence of weather, economic conditions, personal consumption trends, competition with other retail companies, etc. Losses due to lower profits from existing stores and new stores in the future, or store closures due to these fluctuations Impact of higher-than-expected fluctuations in interest rates, foreign exchange rates, stock prices, etc. 	<ul style="list-style-type: none"> Capital investment through the procurement of interest-bearing debt
Regulatory and Institutional Trends	<ul style="list-style-type: none"> Impact of official regulations, loss of liability for damages, etc., and loss of customer confidence resulting from a situation such as the sale of problematic products due to an unforeseen reason Due to revisions to the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment, City Planning Act, and Building Standards Act, as well as changes in regulations established by prefectures, etc., difficulty in opening new stores or renovating existing ones, and a decreased number of potential store openings in the future 	<ul style="list-style-type: none"> Compliance with various legal regulations such as the Antimonopoly Act, consumer protection-related acts, environmental and recycling-related acts, and the Personal Information Protection Act

Business Information

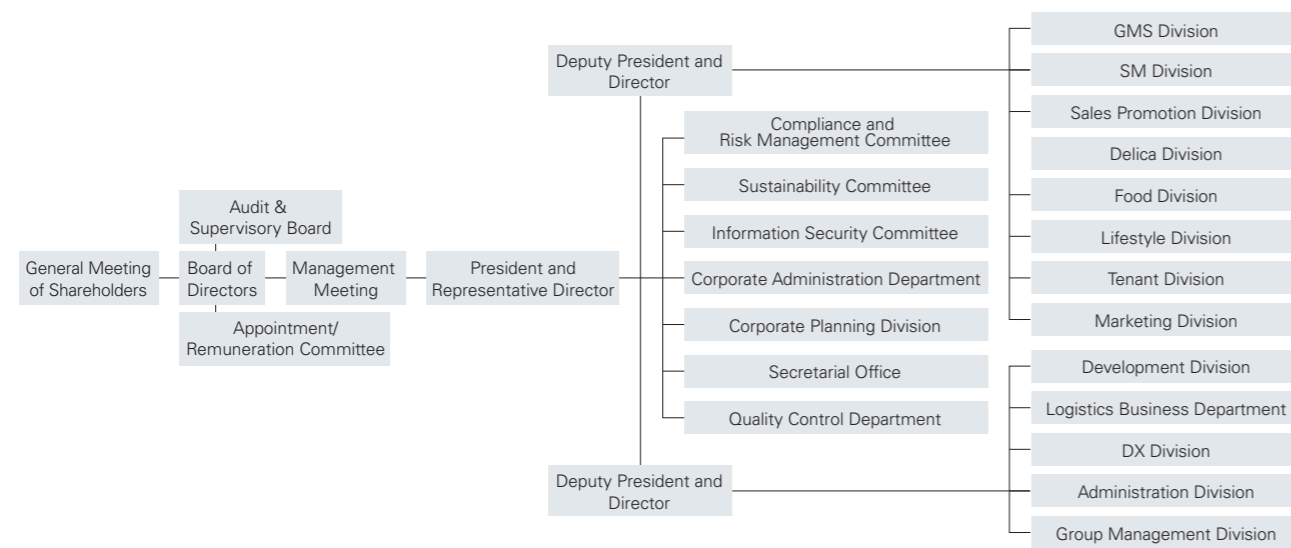
Company Information

(As of February 28, 2023)

Date of establishment October 27, 1961	Paid-in capital ¥19.613 billion	Number of malls and stores 190 stores (GMS/SC: 63, NSC: 4, SM: 117, Other: 6) Chugoku area: 93 stores (GMS/SC: 38, NSC: 2, SM: 51, Other: 2) Kyushu area: 83 stores (GMS/SC: 19, NSC: 2, SM: 60, Other: 2) Shikoku area: 10 stores (GMS/SC: 4, SM: 6) Other areas: 4 stores (GMS/SC: 2, Other: 2)
Head office 3-3-1 Futabanosato, Higashi-ku, Hiroshima, Japan	Number of employees (Consolidated) Full-time : 4,407 Part-time : 10,930 (full-time equivalent)	

Organizational Chart

(As of March, 2023)



Izumi Group

Retail Business	you me Izumi Co., Ltd. Sells and imports clothing, food, and household goods through shopping centers, general merchandising stores (GMS), supermarkets, and other formats	Dailymart Co., Ltd. Operates "Dailymart" supermarkets in Tokushima Prefecture
	you me Youme Mart Kumamoto Co., Ltd. Operates "Youme Mart" supermarkets in the Kumamoto area	WBC Watch Business Company Co., Ltd. Sale, repair, wholesale, and product development of watches
	you me Youme Mart Kitakyushu Co., Ltd. Develops "Youme Mart" supermarkets mainly in Kitakyushu	Two other companies Two entities accounted for using the equity method
Retail peripheral Business	YOURS Yours Co., Ltd. Operates "Yours" supermarkets and high-quality ingredient "Avance" supermarket mainly in Hiroshima Prefecture	
	you me Youme Card Co., Ltd. Credit card business, electronic money business, non-life insurance agency business, business related to life insurance solicitation, money lending business, travel business	YT Izumi Techno Co., Ltd. Facility management, construction, security, and cleaning services
	I.F.S. Izumi Food Service Co., Ltd. Operation of restaurants including Okonomi Ichiban, Tako Ichiban, Aburi Ichiban, Hamburg Restaurant (Ishigamaya), Mister Donut, Baskin-Robbins, Osaka Ohsho, Italian restaurants, Japanese restaurants, Menya Ichiban	YD Youme Delica Co., Ltd. Manufacture of prepared foods
Other Businesses	Yamanishi Yamanishi Co., Ltd. Planning and sale of ladies' wear, nightwear, and innerwear	Three other companies Two entities accounted for using the equity method

Stock Information

Current Stock Status

(As of February 28, 2023)

Total number of shares issued by the Company	195,243,000
Total number of outstanding shares	71,665,200
Number of shareholders	14,228

Major Shareholders

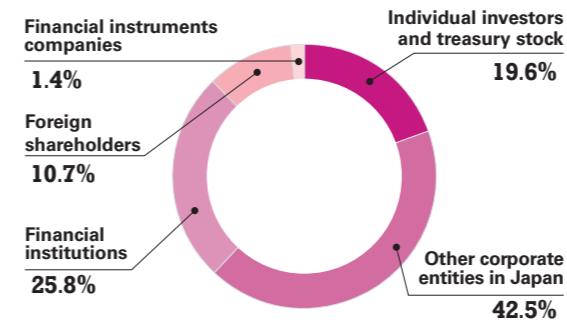
(As of February 28, 2023)

Name	Number of shares held (thousands)	Percentage of total shares
Yamanishi World, Ltd.	19,935	27.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,066	7.1
DAIICHI FUDOUSAN CO., LTD.	4,208	5.9
Custody Bank of Japan, Ltd. (Trust Account)	3,232	4.5
The Hiroshima Bank, Ltd.	2,362	3.3
Nippon Life Insurance Co.	2,093	2.9
National Mutual Insurance Federation of Agricultural Cooperatives	2,091	2.9
Yasuaki Yamanishi	2,048	2.9
Izumi Hiroshima Kyoeikai	2,031	2.8
The Dai-ichi Life Insurance Co., Ltd.	1,871	2.6

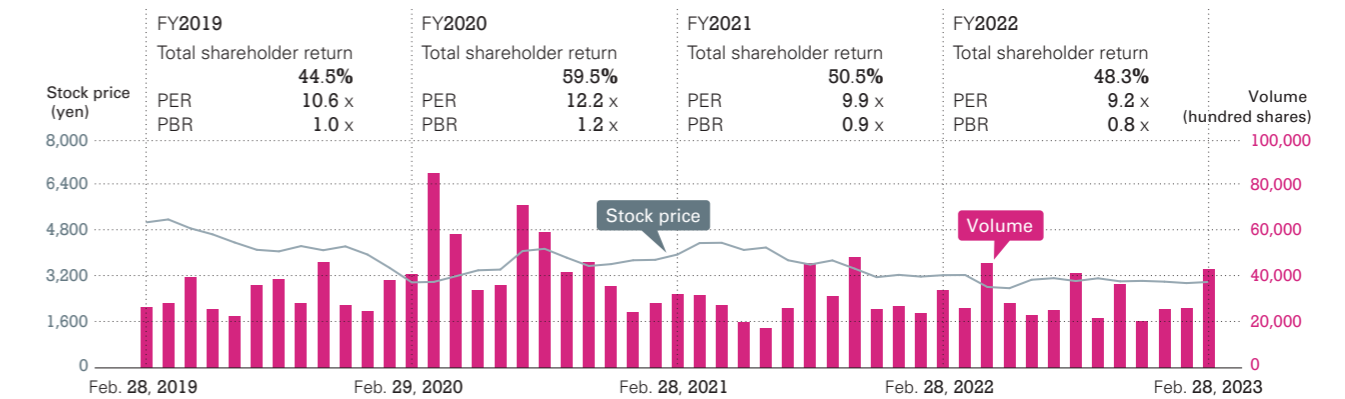
* Percentage of total shares excludes treasury shares (168,894).

Distribution of Shares by Type of Shareholder

(As of February 28, 2023)



Stock Price and Trading Volume



Inclusion in Indices & Third-Party Evaluations

Added to the MSCI Japan Empowering Women (WIN) Select Index	Added to the Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)	Added to the S&P/JPX Carbon Efficient Index	Added to the JPX-Nikkei Index 400
2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2023	S&P/JPX Carbon Efficient Index	JPX-NIKKEI 400
Scored a B on the CDP climate change questionnaire	Certification as a "DX-Certified Operator" by the Ministry of Economy, Trade and Industry	Received "Kurumin" certification	Received "Eruboshi" certification
CDP DISCLOSURE INSIGHT ACTION	Digital Transformation Certification	Kurumin	Eruboshi