

Corporate Governance Report

CORPORATE GOVERNANCE

IZUMI CO., LTD.

Last Update: May 28, 2025

Izumi Co., Ltd.

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The corporate governance of Izumi Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

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 addition, to enhance corporate value over the medium to long term, we consider it important to increase the transparency, fairness, and productivity of our corporate activities, and we are continuously promoting compliance management, which includes reforming our management organization, improving various systems, and enhancing our internal control system, in order to enhance corporate governance that is trusted by our stakeholders.

[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]

The Company complies with all aspects of every principle of Japan's Corporate Governance Code.

[Disclosure Based on the Principles of the Japan’s Corporate Governance Code]

Principle 1-4: Cross-Shareholdings

While the Company may hold cross-shareholdings to facilitate its business activities or strengthen transactions, 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.

Principle 1-7: Transactions among Related Parties

When the Company engages in related party transactions, the Board of Directors carefully examines the details of the transactions in accordance with the Board of Directors' Regulations. In the case of transactions between the Company and its Directors, the sale

and purchase or lease of the Company's real estate and debt guarantees for bank borrowing, etc., require the approval of the Board of Directors. In addition, the Board of Directors shall exclude the relevant officer from the quorum when passing a resolution on the proposal.

Related-party transactions are disclosed in accordance with the Companies Act, the Accounting Standard for Related Party Disclosures and other relevant provisions.

Supplementary Principle 2-4-1 Policies and Goals for Ensuring Diversity in Promotion to Core Human Resources, and Their Status, and Status of Implementation of Policies for Human Resource Development and Internal Environment Development for Ensuring Diversity

(1) Policies and goals for ensuring diversity in promotion to core human resources, and their status

To continue growing sustainably, the Company is committed to "instilling pride and joy in our employees while contributing to the enhancement of the lives of communities and our customers."

To continue adapting quickly to rapidly changing consumer trends, the Group actively recruits and appoints diverse human resources regardless of gender, age, career history, nationality or other characteristics, while at the same time focusing on workplace environment development and management training that will enable employees to demonstrate their unique characteristics and abilities.

(i) Promoting the career advancement of female employee

In view of the gender gap in career aspirations and utilization of work-life balance support programs, the Company believes that unconscious gender bias is an issue that needs to be addressed. Accordingly, we are working to promote utilization of childcare leave as a couple introduced in FY2021, to encourage male employees to take on housework and childcare responsibilities. In FY2024, the percentage of male employees taking childcare leave including childcare leave as a couple was 106.5%. Going forward, we will continue aiming to firmly establish a culture enabling career advancement regardless of gender

<Numerical targets and results>

	2023 result	2024 result	2025 target
Ratio of women in managerial positions (Note 1)	11.0%	11.8%	12.5%
Number of female officers (Note 2)	0	0	At least one
Ratio of female leaders (Note 3)	36.8%	38.0%	40.0%
Ratio of men taking childcare leave, etc. (Note 4)	90.4%	106.5%	100.0%
Ratio of women taking childcare leave, etc. (Note 5)	107.5%	104.2%	100.0%
Number of revisions of gender role attitudes (Note 6)	-	46.4%	60.0%

(Note 1) Starting from the data in this fiscal year's report, the percentage of female managers is calculated based on the definition of managerial positions in the Act on the Promotion of Women's Active Engagement in Professional Life.

(Note 2) Including internal executive officers but not including outside officers.

(Note 3) Starting from the data in this fiscal year's report, the percentage of female leaders is calculated based on the definition of section manager level in the Act on the Promotion of Women's Active Engagement in Professional Life.

(Note 4) The percentage of male employees taking childcare leave, etc. is calculated as "the total number of male employees who took childcare leave, etc. in the directly preceding fiscal year and male employees who used the leave system (excludes childcare

leave and caregiver leave) to care for a pre-elementary school child divided by the number of male employees whose partner gave birth during the immediately preceding fiscal year" based on the definitions in each of the 4 items of Article 71 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). (Under the childcare leave system, male employees are given special leave (paid leave) of three consecutive days, which can be taken within the eight-week period after a partner giving birth. The percentage of male employees taking childcare leave, etc. excluding childcare leave is 52.2%, the average period of leave taken is 53 days).

(Note 5) The percentage of female employees taking childcare leave, etc. is calculated as the number of female employees going on childcare leave in the immediately preceding fiscal year divided by the number of female employees who have birth in the immediately preceding fiscal year.

(Note 6) Progress toward eliminating gender bias is the proportion of employees who answered "Somewhat disagree" or "Disagree" to the question of "What is your view on the statement: "Husbands should work outside the home and wives should take care of the home."

(ii) Employment of foreign nationals

Since the Company does not conduct business overseas, the Company does not currently hire or appoint individuals because they are foreign nationals; however, going forward, the Company intends to widen the net and hire and appoint individuals, especially for leadership positions and specialist operations such as IT and trade, based on motivation, ability regardless of nationality.

(iii) Mid-career hires

The Company actively hires and appoints mid-career professionals, and provides young mid-career hires with induction training as second new graduates to give them access to systematic training. In FY2024, mid-career hires accounted for 14.5% of all new hires and appointments. The Company's policy going forward is to continue hiring and appointing human resources with knowledge and skills in areas such as management, IT and retail operations.

(2) Policies for human resource development and improving the internal environment for ensuring diversity, and their status

In a dramatically changing society, the Company needs to be constantly making changes in order to realize its management vision. With "Innovation", "Challenge", and "Speed" as our DNA, we are working to develop human resources who challenge themselves to take their work one step further. Furthermore, amid diversifying work styles and career values, we aim to create an environment in which employees with diverse backgrounds can choose flexible work styles according to their individual circumstances, and can thrive in their own way according to their motivation and abilities, regardless of gender, age, or educational background.

(i) Rank-specific training

We provide tailored training opportunities for six different ranks ranging from new employees through to sales floor manager (supervisor), while for supervisors and higher-level managers, we offer rank-specific training according to position.

Opened in 2021, Izumi University is the Company's selective program for training future management executives. As of the end of FY2024, 75 individuals have graduated the university. Furthermore, the Company opened a Graduate College for Izumi University graduates from FY2024, transitioning from efforts to increase management human resources to a phase of raising the level of talent even further.

(ii) Job rotation

The Company encourages the growth of individual employees by actively and strategically using job rotation and giving them experience of tough assignments, including bold job rotation between divisions and appointment to the leadership of group

companies.

(iii) OJT

Employee training focuses on-the-job training in addition to lecture-style training. The supervisors and trainers who are responsible for training play a central role in following up on-the-job training and working to efficiently and effectively improve sales planning, ordering and manufacturing skills.

(iv) Self-development

The Company provides a wide range of e-learning and online training content. Going forward, we will continue expanding the content both in terms of quantity and range, and we will also further develop the environment to enable employees to study independently through the distribution of multi-function devices.

Principle 2-6: Roles as Asset Owners of Corporate Pension Plan

The Company does not have an employees' pension fund or defined benefit corporate pension plan but has introduced a corporate-type defined contribution pension plan for the formation of retirement assets, etc. We implement initiatives to realize stable asset formation by employees, including educating employees about managing the assets of their defined contribution pensions.

Principle 3-1: Enhancement of Information Disclosure

(i) Company objectives (e.g., Management Philosophy), management strategies and management plans

The Group adopted the Second Medium-term Management Plan (FY2021 - FY2025) announced in April 2021. Since its founding, the Group has made efforts to contribute to the local community, and its desire to further strengthen this contribution led to the development of its management philosophy of "instilling pride and joy in its employees while contributing to the enhancement of the lives of communities and our customers." Under this management philosophy, we have been working with local stakeholders to create a vision of where we want to be in 10 years, which we have set as our long-term vision for 2030. The Group sees the challenging operating conditions in the retail sector more as an opportunity than a threat and is committed to translating this opportunity into corporate growth and achieving improvement in its corporate value.

Through these initiatives, the Group will achieve customer satisfaction and continuously expand and strengthen its dominance in regional markets with a view toward increasing management efficiency and continuing to grow as a corporation.

The Group announced the revision of the Second Medium-term Management Plan on April 11, 2023. Since the Second Medium-term Management Plan was announced in April 2021, trends have changed much more than expected, including the prolonged impact of the spread of the COVID-19 infection on human flow trends, the sharp rise in resource prices triggered by the conflict in Ukraine, and the rapid increase in prices, especially for electricity, food, and daily necessities, due to the depreciation of the yen. In addition, rising construction costs have reduced the profitability of the originally formulated investment plan for new store openings, creating a gap between the assumptions initially set and the current business environment. Recently, the Company revised its strategies and numerical targets in order to optimize its response to the dramatically changing environment.

However, the Company faced a ransomware attack and shut down all its servers, including those for order placements, purchases and other functions in February 2024. That resulted in a partial disruption to its operations. After restoring the system, we prioritized efforts to regain customers, eventually delaying measures against the persistent inflation. Meanwhile, consumers are becoming increasingly budget-minded as real wages continue to fall. In August 2024, we took over the business in the Kyushu region (SUNNY business) operated by Seiyu Co., Ltd. to further strengthen our dominance in Kyushu and create a new supermarket business with high profitability. In this environment, we have once again revised our plan figures in light of the fact that the fiscal

year ending February 28, 2026 is the final year of our Second Medium-term Management Plan and that we will strengthen our structure to achieve our long-term vision for 2030. For details, see the news release in April 2025, entitled Notice Concerning Revision to Second Medium-term Management Plan.

■ Notice of Revision of Second Medium-term Management Plan

https://www.izumi.co.jp/corp/e_ir/img/index/pdf/250414news_2.pdf

(ii) Basic views and basic policies on corporate governance

The Company aims 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 addition, to enhance corporate value over the medium to long term, we consider it important to increase the transparency, fairness, and productivity of our corporate activities, and we are continuously promoting compliance management, which includes reforming our management organization, improving various systems, and enhancing our internal control system, in order to enhance corporate governance that is trusted by our stakeholders.

(iii) The Board of Directors' policies and procedures in determining the compensation of the senior management and Directors

The limit on the amount of compensation for Directors was set by resolution of the General Meeting of Shareholders (revised on May 25, 2018) at 500 million yen (including 30 million yen allotted to Outside Directors; not including employee salaries of Directors concurrently serving as employees of the Company).

The Act Partially Amending the Companies Act (Act No. 70 of 2019), enacted on March 1, 2021, included a requirement to establish the Policy for Determining the Content of Compensation, etc. for Individual Directors, with respect to the compensation of directors based on resolution of the General Meeting of Shareholders. Accordingly, at a meeting held on February 9, 2021, the Board of Directors resolved as follows. Decisions on compensation for individual executive officers who are not Directors shall be made in the same way as for Directors.

1. Basic policy

The basic policy is that compensation for the Company's Directors shall be a compensation system linked to shareholder returns to fully function as an incentive for the sustained enhancement of the corporate value and shall be set at an appropriate level in light of the job responsibilities of individual Directors when determining compensation for them. More specifically, the compensation for executive Directors consists of basic, fixed compensation, performance-linked compensation (financial results-linked bonuses, etc.) and non-monetary compensation (stock-based compensation). The compensation for Outside Directors responsible for supervisory functions and Audit & Supervisory Board Members, given the nature of their duties, comprises only basic compensation. In addition, at the 60th Annual General Meeting of Shareholders held on May 26, 2021, the introduction of a compensation system for granting restricted stock as non-monetary compensation (stocked-based compensation) to Directors (excluding Outside Directors) within the limit above was approved and resolved. In addition, the abolition of a retirement benefits system for the Company's officers and the lump-sum payment of retirement benefits upon abolition of the system was approved and resolved.

2. Policy for determining the amount of basic compensation (fixed compensation) for individual Directors (including the policy

for determining the time or conditions for giving compensation, etc.)

The basic compensation of the Company's Directors is a fixed monthly compensation determined after comprehensively taking various factors into account, including a Directors position and job responsibilities, as well as the Company's financial condition.

3. Policy for determining details and amounts of performance-linked compensation and non-cash compensation and determining their calculation methods (including the policy for determining the time or conditions for giving compensation)

(1) Performance-linked compensation is monetary compensation that reflects performance indicators (KPIs) designed to raise the awareness of performance improvements in each fiscal year. An amount calculated based on the degree of attainment of target values such as ordinary profit in each fiscal year and a Director's individual evaluation is paid at a certain time after the end of each fiscal year as a performance bonus. The targeted performance indicators and their values are set when the Medium-term Management Plan is formulated to ensure alignment with the plan, and are revised in light of recommendations provided by the Nomination & Compensation Committee based on environmental changes as appropriate.

(2) Non-monetary compensation is designed to incentivize the sustained enhancement of corporate value while promoting the further sharing of value with shareholders, and is provided at a certain time each year as stock-based compensation using transfer restricted stock with the restriction period lasting until the date the recipient loses their position as Director or another position determined by the Company's Board of Directors. The number of shares granted is determined by taking each Director's stock-based compensation base amount, which is calculated by multiplying their fixed compensation by a position-based coefficient, adjusting that amount according to an attainment level coefficient (ranging from 0.90 to 1.10) related to the Company's performance targets, and then dividing this amount by the share price at the time of the shares are granted. Note that the total amount of non-monetary compensation in the form of restricted stock-based compensation is set to fall within the cap on Director compensation described above, to a maximum of 100 million yen per year, and the total number of the Company's common shares to be issued or disposed of is limited to 50,000 shares per year.

4. Policy for determining the ratios of the amount of basic compensation, the amount of performance-linked compensation and the amount of non-monetary compensation to the total amount of compensation for individual Directors

The ratios of each type of compensation for directors who are responsible for business execution are deliberated by the Nomination & Compensation Committee with reference to the data of companies that are of a similar size to the Company or belong to relevant business sectors or business formats or the data of local companies. The Board of Directors respects the details of recommendations made by the Nomination & Compensation Committee and determines the ratios of compensation to ensure that incentives function appropriately.

Note that the approximate ratio of compensation by type is as follows, assuming 100% attainment of KPIs. Basic compensation: performance-linked compensation: non-monetary compensation = 60: 25: 15.

5. Matters concerning the determination of details of compensation for individual Directors

The Nomination & Compensation Committee has conducted a review of the individual compensation amounts of Directors for the fiscal year under review, and, having received the committee's recommendations, the Board of Directors has deliberated over and decided on the amounts. Note that the Nomination & Compensation Committee comprises five members, including two Internal Directors and three Outside Directors. The committee is chaired by the Chairman and Representative Director. The committee determines the amount of basic compensation for each Director, the evaluation and distribution of performance bonuses taking into

account the performance of each Director's assigned business, and the number of shares allotted to each Director. The results of these determinations are reported to the Board of Directors, after which the Board of Directors carefully deliberates over the committee's recommendations before making final determinations on the amount of compensation for each Director.

(iv) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of directors and Audit & Supervisory Board Members candidates

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. Decisions are made following deliberations and reporting by the Nomination & Compensation Committee and the deliberation of the Board of Directors. 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 Directors 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. Decisions are made following deliberations and reporting by the Nomination & Compensation Committee and the deliberation of the Board of Directors.

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. Decisions are made following deliberations and reporting by the Nomination & Compensation Committee and the deliberation of the Board of Directors.

Nominations of candidates for the positions of Independent Outside Directors and Independent Outside Audit & Supervisory Board members 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 Nomination & Compensation Committee, in cases including but not limited to those in which the individuals concerned are no longer able to fulfill the aforementioned 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.

(v) Explanations with respect to the individual appointments, dismissals and nominations in the event of the appointment and dismissal of the senior management and the nomination of directors and Audit & Supervisory Board Members candidates by the Board of Directors The reasons for appointment of the senior management (including the CEO) and the nomination of directors and Audit & Supervisory Board Members candidates are disclosed in the Notice of the Annual General Meeting of Shareholders. There are no disclosures about the dismissal of senior management (including the CEO) as no such dismissal has occurred.

Supplementary Principle 3-1-3: Initiatives for Sustainability, etc.

At a meeting held on October 12, 2021, the Board of Directors established the Sustainability Committee as a companywide organization chaired by the Representative Director and President and formulated its Basic Sustainability Policy. In addition, we

formulated a Procurement Policy, Human Rights Policy, and Diversity & Inclusion Policy on the social front, and a Climate Action Policy and Responses based on TCFD Recommendations on the environmental front. We also extracted and identified materiality in response to the changing social environment, and are focused on driving sustainability.

For details of each policy, please refer to our website at:

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

<Approach to investment in human capital and intellectual assets>

In terms of investment in human capital, we are working on initiatives such DX investment and improvement of productivity to make time for training, and rank-specific training and self-development as described in "Policies for human resource development and improving the internal environment" under "Supplementary Principle 2-4-(1) Policies and Goals for Ensuring Diversity in Promotion to Core Human Resources." (Information about investment in intellectual property is not disclosed as there is no applicable information.)

Supplementary Principle 4.1-1: Scope of Matters Delegated to Management

The Board of Directors makes decisions on important business-related matters such as matters related to personnel matters, structural reforms, labor management systems, non-current assets, shares, long-term funding, investments, shareholders' equity and affiliated companies in accordance with the rules of the Board of Directors, in addition to matters stipulated in laws and regulations and our Articles of Incorporation.

The scope of the Board of Directors' delegation of authority to senior management is business execution other than matters to be decided exclusively by the Board of Directors, and details of such delegation of authority are set out in the Regulations on Division of Duties and the Regulations on Exercise of Official Authority.

Supplementary Principle 4-2-1: Appropriate Setting of Proportion of Management Compensation Linked to Results and Company's Own Stock

The compensation of senior management is determined by the Board of Directors based on the deliberations and report of the Nomination & Compensation Committee, which is made up of Independent Outside Directors, within a limit resolved by the General Meeting of Shareholders.

The compensation of Directors is designed to consist of basic compensation (fixed compensation), performance-based compensation (year-end bonus), and non-financial compensation (stock compensation) in accordance with the Policy for Determining the Content of Compensation, etc. for Individual Directors determined by the Board of Directors. Specific details are as described in (iii) Board policies and procedures for determining the compensation of the senior management and directors under Corporate Governance Code Principle 3-1 Enhancement of Information Disclosure.

Principle 4-8: Effective Use of Independent Outside Directors

The Company has appointed three Independent Outside Directors to ensure management transparency and strengthen the supervisory function. With a Board of Directors composed of eight members, the appointment of three Independent Outside Directors has increased the proportion of Independent Outside Directors to more than one third.

Principle 4-9: Criteria for Determining Independence and Qualifications for Independent Outside Directors

The Company determines the independence of Independent Outside Directors by objectively verifying, with reference to the independence standards of the Tokyo Stock Exchange, that Independent Outside Directors are independent from senior management, for example, they are not "an entity of which the Company or its subsidiaries is a major business partner or a business executive thereof," and there is no risk of conflicts of interest arising between them and general shareholders.

Supplementary principle 4-10-1: Approach to the Independence of the Nomination & Compensation Committee, as well as Its Authority and Role

Note that the Nomination & Compensation Committee comprises five members, including two Internal Directors and three Independent Outside Directors. The committee is chaired by the Chairman and Representative Director. The committee is made up of a majority of Independent Outside Directors, and the Company believes that independence, objectivity and transparency are effectively ensured.

The committee deliberates on matters relating to the appointment and dismissal of directors (matters resolved by the General Meeting of Shareholders), the selection and dismissal of representative directors, compensation of directors, succession planning, including the training of Directors) as well as the formulation and revision of policies related to such matters, in response to calls for advice from the Board of Directors, and reports its findings to the Board of Directors. The Board of Directors makes decisions after holding deliberations again based on such reports.

Supplementary Principle 4-11-1: View on Total Balance of Knowledge, Experience and Skills, Diversity and Size of the Board of Directors

The Company's Board of Directors is composed of eight members, including three Independent Outside Directors.

Appointments of candidates for the position of internal director are guided by the keywords of "innovation, taking on challenges, and speed," and made based on 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. Appointments are made following sufficient deliberations by the Nomination & Compensation Committee and the Board of Directors.

Appointments for candidates for the position of Outside Directors are made 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. Appointments are made following sufficient deliberations by the Nomination & Compensation Committee and the Board of Directors.

We believe that this creates a structure in which the Board members' knowledge, experience, capabilities, and other capacities, from a variety of backgrounds, can be leveraged in management, enabling the Board to conclude prompt and appropriate decision-making and equipping it to fulfill a supervisory and advisory function, from an independent perspective, regarding the execution of business.

Of our three Independent Outside Directors, two have managerial experience gained at other companies.

The skills the Company expects Directors and Audit & Supervisory Board Members to have been as follows.

1) Business management and management strategy

Mostly importantly, experience allowing them to carry out the managerial decision-making that will be their principal duty as directors

2) Ability to respond to change

The capacity to act that will allow them to actualize the qualities of “innovation, taking on challenges, and speed” that make up Izumi’s DNA, against a backdrop of changes in the industry and our customers’ needs

3) Retail experience

On-the-ground retail experience (including in product lineup, sales floor set-up, sales power, and a proper understanding of our customers’ needs) that will allow them to improve our stores’ performance

4) Product development and merchandising

Experience of leading a product division, providing a proper understanding of our product range across the Company (including our customers’ needs and expectations, prices, and volumes) and the ability to improve performance

5) Store opening strategy

Experience allowing them to realize our Medium-Term Management Plan goal of achieving a network of 300 stores and deciding on effective and efficient investments

6) Financial accounting and finance

Expertise that can be utilized in raising capital for our continued operation as a business and prevention of window-dressing and other accounting fraud, a cornerstone of compliance

7) Governance risk management and legal affairs

Expertise on risk management grounded in laws, regulations, and compliance, essential for our sustainable growth

8) Personnel & labor and capacity building

Expertise that can be utilized for hiring human resources and maintaining ongoing employee development and pleasant working environments

9) ESG and sustainability

Expertise that can be applied to management from an ESG perspective geared toward medium- to long-term sustainable growth and development

10) IT and promoting digital transformation

Expertise in building IT systems to increase business efficiency and digital transformation into new areas

The Company has prepared a skills matrix showing the knowledge, experience and skills of each Director and Audit & Supervisory Board Member, and has included this at the end of this report.

Supplementary Principle 4-11-2: Concurrent Positions Held by Directors and Audit & Supervisory Board Members

The status of significant concurrent positions held by Directors and Audit & Supervisory Board Members is disclosed in the Business Report and the Notice of the Annual General Meeting of Shareholders. A consideration when selecting Directors and Audit & Supervisory Board members candidates is that candidates hold concurrent positions as officers at not more than three other publicly listed companies.

Supplementary Principle 4-11-3: Analyzing and Assessing the Effectiveness of the Board of Directors

In order to analyze and evaluate the overall effectiveness of our Board of Directors, the Group surveyed all Directors and Audit & Supervisory Board members by means of a questionnaire. Based on the results of this questionnaire, the Board of Directors discussed the evaluation of effectiveness as follows with respect to the Board’s composition, matters deliberated by the Board, its management, response to any issues raised, and any other relevant matters.

(1) Timing of implementation of evaluation of effectiveness of the Board of Directors

Aug. 2024, Implementation of survey to evaluate the effectiveness of the Board of Directors

Oct. 2024, Reporting of the survey results and sharing of issues with the Board of Directors

Oct.-Dec. 2024, Discussion of issues at meetings of the Board of Directors

(2) Overview of analysis and evaluation results

The results confirmed that, at meetings of the Company's Board of Directors, lively discussions were held as part of the deliberation of important matters, and generally the effectiveness of the decision-making process was properly ensured.

However, the evaluation process identified various key issues for deliberation. These include discussions for the future, verification of growth strategies and the Medium-term Management Plan, establishment of a structure related to M&A, enhancement of product strength, actualization of successor training plan, issues around the appointment of female officers from within the Company, Group governance, IT risk management and BCP.

(3) Future issues and action to address them

Lively discussions were held on the issues identified in the evaluation of the effectiveness of the Board of Directors, including the future business direction and the Company's values, and the raising of questions around the appointment of women to managerial positions.

A basic action plan was also confirmed. This included an annual plan for Board meeting agendas as an operational measure to ensure time to discuss such individual themes.

Going forward, the Company will continue striving for improvement through further discussion.

Supplementary Principle 4-14-2: Policy on Training of Directors and Audit & Supervisory Board Members

Directors are regularly provided with training, including specialist training on legal affairs, etc., training on leadership, management strategy, etc. delivered by outside lecturers, and study meetings on growth strategies. Internal Directors are constantly improving themselves through activities such as discussions with outside executives, and participation in seminars on chain store management theory, etc. while also taking advantage of online webinars.

Outside Directors are briefed on the Group's businesses and challenges and are also given opportunities for training organized by outside organizations on the role and responsibilities generally expected of Outside Directors by society. Outside Directors also gain an understanding of the latest industry trends through the use of online webinars, while also endeavoring to deepening their management understanding and insight through visits to the Company's stores and logistics centers and the new prepared foods manufacturing plant of its subsidiary as well as through the exchange of opinions with managers on the ground.

The Full-time Audit & Supervisory Board Member also takes advantage of online webinars, participates in training organized by the Japan Audit & Supervisory Board members Association and Outside Financial Auditors, and shares the information obtained at this training with the other Audit & Supervisory Board Members.

Meanwhile, each Audit & Supervisory Board Member endeavors to deepen their management understanding and insight by attending audits of the Company's stores and logistics centers conducted by the Financial Auditor, visiting the new prepared foods manufacturing plant of our subsidiary, and exchanging opinions with managers on the ground.

Principle 5-1: Policy for Constructive Dialogue with Shareholders

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.

- Under the leadership of the Director in charge of IR, the Director 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.
- An overview of IR activities is provided in "III Implementation of Measures for Shareholders and Other Stakeholders, 2. Status of IR-related Activities" in this Report.
- Opinions and concerns of shareholders obtained through dialogue are fed back to the Directors as appropriate, through reports at meetings of the Board of Directors and other means.
- When engaging in dialogue with shareholders, the Company complies with laws, regulations, and related rules, and manages insider information appropriately.
- The Company strives to understand the shareholder structure as necessary.

[Action to implement management that is conscious of cost of capital and stock price] English available

The Company again analyzed and evaluated the current status of the Company in regard to the cost of capital and capital profitability, and also formulated a policy for improvement, which was adopted by the resolution of the Board of Directors. For details, please refer to "Action to Implement Management that is Conscious of Cost of Capital and the Stock Price" released in June 2024.

■ Action to Implement Management that is Conscious of Cost of Capital and the Stock Price

https://www.izumi.co.jp/corp/e_ir/img/index/pdf/2024.y_3.pdf

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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Status of Major Shareholders

Name of shareholder	Number of Shares held (Shares)	Shareholding ratios (%)
Yamanishi World, Ltd.	19,935,884	27.86
The Master Trust Bank of Jaan, Ltd. (Trust account)	5,249,700	7.34
DAIICHI FUDOUSAN CO., LTD.	4,208,000	5.88
Custody Bank of Japan, Ltd. (Trust account)	3,147,700	4.40
The Hiroshima Bank, Ltd.	2,362,078	3.30
Nippon Life Insurance Co.	2,093,902	2.93
Yasuaki Yamanishi	1,971,833	2.76
Izumi Hiroshima Kyoeikai	1,896,762	2.65
CEP LUX-ORBIS SICAV	1,637,347	2.29
The Dai-ichi Life Insurance Co., Ltd.	1,624,306	2.27

[Translation]

Name of Parent Company	None
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Supplementary Explanation

Based on the shareholders' register as of the end of February 2025.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	February
Business Sector	Retail
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have a Material Impact on Corporate Governance

Nothing in particular

[Translation]

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board
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Directors

Number of Directors Stipulated in Articles of Incorporation	9
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Nishikawa	From another company											
Izumi Yano	Academic											
Naomi Aoyama	From another company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/Audit and Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masahiro Nishikawa	○	—	As Chairman of NISHIKAWA RUBBER CO., LTD., a global auto parts manufacturer based in Hiroshima, Masahiro Nishikawa has extensive experience and proven results in corporate management. He has made significant contributions to the enhancement of the Company's quality control, safety management and productivity by applying the knowledge and experience he gained as a business manager in the manufacturing industry, a line of business different from the Company's. The Company judges him to be a suitable person to supervise the execution of the Company's business as an Outside Director. There is deemed to be no personal, capital, business, or other interests between the Company and Mr. Nishikawa. He has been designated as an independent director as there is deemed to be no risk of a conflict of interest arising with regular shareholders on the performance of his duties as Outside Director.
Izumi Yano	○	—	As President of Hiroshima Shudo University, Izumi Yano has extensive experience and proven results in organizational management. Although she does not have prior experience of direct involvement in the management of a company by methods other than serving as a Director of The Hiroshima Shinkin Bank, she is deeply knowledgeable about food distribution, particularly concerning agricultural and marine products, and significantly contributes to developing the Company's business focused on food by utilizing her expertise. The Company judges her to be a suitable person to supervise the execution of the Company's business as an Outside Director. There is deemed to be no personal, capital, business, or other interests between the Company and Ms. Yano. She has been designated as an independent director as there is deemed to be no risk of a conflict of interest arising with regular shareholders on the performance of her duties as Outside Director.
Naomi Aoyama	○	—	Naomi Aoyama is the Representative Director of Stylebis Ltd., a company focused on e-commerce consulting. With extensive experience and a proven track record in consumer-focused marketing, her knowledge, especially regarding ESG practices,

[Translation]

			contributes to the development of initiatives related to sustainability, the use of IT, capital policy, and the empowerment of women in human resource development. The Company judges her to be a suitable person to supervise the execution of the Company's business as an Outside Director. There is deemed to be no personal, capital, business, or other interests between the Company and Ms. Aoyama. She has been designated as an independent director as there is deemed to be no risk of a conflict of interest arising with regular shareholders on the performance of her duties as Outside Director.
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination & Compensation Committee	5	0	2	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination & Compensation Committee	5	0	2	3	0	0	Inside Director

Supplementary Explanation

The Company has established a voluntary Nomination & Compensation Committee, and matters concerning the nomination of Director and Audit & Supervisory Board member candidates and compensation, etc. for individual Directors are determined through deliberation by the Board of Directors based on this Committee's report. The consent of the Audit & Supervisory Board is obtained in advance for matters related to the nomination of Audit & Supervisory Board Member candidates.

The chairperson and members of the voluntary Nomination & Compensation Committee are as follows.

Chairperson: Daisuke Yamanishi (Representative Director and Chairman)

Members: Shigeki Machida (President and Representative Director), Masahiro Nishikawa (Outside Director), Izumi Yano (Outside Director), Naomi Aoyama (Outside Director)

[Translation]

Audit and Supervisory Board Member*

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit and Supervisory Board Members	3

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members exchange information with the Financial Auditor on a regular basis to gain an understanding of the status of accounting audits, and Audit & Supervisory Board Members also receive reports on the results of accounting audits from the Financial Auditor. Audit & Supervisory Board Members also receive reports from the Management Administration Division's Internal Audit Section, which is the Company's internal audit division, seek to share information about internal audits, and conduct audit operations through mutual cooperation.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tomoko Horikawa	From another company													
Hirofuka Okada	Tax Accountant													

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/ Audit and Supervisory Board Member
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Tomoko Horikawa	○	—	Tomoko Horikawa has gained experience as a certified public accountant while working for a major auditing firm, and since joining the family business of Chugoku Mokuzai Co., Ltd., she has served as an officer of major departments involved in management and she currently serves as the Chairman and Director. She possesses high-level insight as a corporate manager and accounting specialist. The Company judges her capable of appropriately fulfilling her duties as an Outside Audit & Supervisory Board Member due to the expectation that she will provide useful advice and recommendations to further strengthen the Company's audit system based on such knowledge and experience. She has been designated as an independent officer as there is deemed to be no risk of a conflict of interest arising with regular shareholders on the performance of her duties as Outside Audit & Supervisory Board Member.
Hiroataka Okada	○	—	Hiroataka Okada has retired after serving as the head of essential departments of the National Tax Agency and is currently serving as a tax accountant. Although he does not have prior experience of direct involvement in the management of a company by methods other than serving as an Outside Audit & Supervisory Board Member, he possesses a wide range of business experience and expert knowledge as a tax specialist. The Company judges him capable of appropriately fulfilling his duties as an Outside Audit & Supervisory Board Member due to the expectation that he will provide useful advice and recommendations to further strengthen the Company's audit system based on such knowledge and experience. He has been designated as an independent officer as there is deemed to be no risk of a conflict of interest arising with regular shareholders on the performance of his duties as Outside Audit & Supervisory Board Member.

[Translation]

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	5
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Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme
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Supplementary Explanation for Applicable Items

The Company designed compensation for Directors (excluding Outside Directors) to consist of fixed compensation (basic compensation), performance-linked compensation (year-end bonus), and stock-based compensation, in accordance with the Policy for Determining Details of Compensation for Individual Directors determined by the Board of Directors at a meeting on February 9, 2021 following the deliberation and report of the Nomination & Compensation Committee (which includes two Outside Directors among its members). Performance-linked compensation (year-end bonus) serving as a short-term incentive is determined based on an evaluation of the achievement of targets over a one-year period, while performance-linked compensation serving as a medium-to-long-term incentive consists of restricted stock, which is compensation linked to the stock price.

At the 60th Annual General Meeting of Shareholders held on May 26, 2021, the Company obtained approval for a stock-based compensation (restricted stock) plan, which is performance-linked compensation serving as a medium-to-long-term incentive. Accordingly, the Company also terminated its executive retirement benefits system. Outside Directors only receive fixed compensation to ensure their independence.

The compensation of Audit & Supervisory Board Members is determined through consultation among the Audit & Supervisory Board Members, and Audit & Supervisory Board Members only receive fixed compensation to ensure their independence.

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Selected Directors
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Supplementary Explanation for Applicable Items

The Company discloses total amounts of compensation broken down into basic compensation, performance-linked compensation, non-monetary compensation, etc. The Company's 60th Annual General Meeting of Shareholders held on May 26, 2021, resolved the termination of the executive retirement benefits system and a final retirement benefits payment accompanying this termination. Compensation for individual officers whose compensation is 100 million yen or more is disclosed in the Annual Securities Report in accordance with the Cabinet Office Order on Disclosure of Corporate Affairs.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The limit on the amount of compensation for Directors was set by resolution of the General Meeting of Shareholders (revised on

May 25, 2018) at 500 million yen (including 30 million yen allotted to Outside Directors; not including employee salaries of Directors concurrently serving as employees of the Company).

Matters concerning the amounts of compensation, etc. for Directors and calculation methods were determined based on the "Policy for Determining the Content of Compensation, etc. for Individual Directors, etc." at the Board of Directors meeting held on February 9, 2021. After taking into account annual evaluations of each Director based on this policy and in accordance with the duties of each Director, amounts for compensation, etc. are reviewed by the Company's Nomination & Compensation Committee. Note that the Nomination & Compensation Committee comprises six members, including three Internal Directors and three Outside Directors. The committee is chaired by the President and Representative Director. The Nomination & Compensation Committee deliberates the evaluation of each Director and the amount of compensation, etc. for Directors is reported to the Board of Directors. The Board of Directors determines the amount of compensation for each Director following serious deliberation of the Nomination & Compensation Committee's report.

Support System for Outside Directors (and/or Outside Audit and Supervisory Board Members)

Outside Directors and Outside Audit & Supervisory Board Members are sent materials relating to the agendas of meetings of the Board of Directors in advance. In addition, staff from the Audit & Supervisory Board Members' Office support Outside Audit & Supervisory Board Members in the performance of their audit duties (office visits, etc.) to enhance the audit function of the Audit & Supervisory Board Members.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Corporate Governance Overview

(1) Basic Approach to Corporate Governance

The Company aims 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 addition, to enhance corporate value over the medium to long term, we consider it important to increase the transparency, fairness, and productivity of our corporate activities, and we are continuously promoting compliance management, which includes reforming our management organization, improving various systems, and enhancing our internal control system, in order to enhance corporate governance that is trusted by our stakeholders.

(2) Outline of the Corporate Governance System and Reasons for Adopting the System

- Outline of the Corporate Governance System

The Board of Directors consists of eight Directors (including three Outside Directors), and the term of office of each Director is one year, to increase the transparency of business execution and clarify accountability. The Board of Directors meets once a month, in principle, fully deliberating matters and overseeing the performance of duties by Directors. Two Representative Directors are selected from among the eight Directors, and 19 Executive Officers (excluding Directors) are appointed under the Representative Director and entrusted with business execution.

The chairperson and members of the Board of Directors are as follows.

Chairperson: Shigeki Machida (President and Representative Director)

Members: Yasuaki Yamanishi (Chairman and Representative Director), Daisuke Yamanishi (Deputy President and Director), Hideki Tahara (Director, Senior Managing Executive Officer and Administration Division Manager), Takayuki Aoki (Director, Managing Executive Officer and Development Division Manager), Masahiro Nishikawa (Outside Director), Izumi Yano (Outside Director), Naomi Aoyama (Outside Director)

Under the corporate governance system, questions on matters submitted to the Board of Directors and other decisions on measures related to management policies and management strategies are deliberated in a timely manner each week at the Management Meeting, which consists of five Directors (excluding the three Outside Directors). As regards the management status of the Company's subsidiaries, the Company gathers together the presidents of its subsidiaries to check the management status of each company at monthly performance review meetings. In addition, reports on the sales results, financial position and other important information of subsidiaries must be exchanged between the Company's president and the presidents of subsidiaries once every three months, and discussions on measures to address management issues must also be held between the head of the Company's Group Management Division and the presidents of subsidiaries once a month.

The chairperson and members of the Management Meeting are as follows.

Chairperson: Shigeki Machida (President and Representative Director)

Members: Yasuaki Yamanishi (Chairman and Representative Director), Daisuke Yamanishi (Deputy President and Director), Hideki Tahara (Director, Senior Managing Executive Officer and Administration Division Manager), Takayuki Aoki (Director, Managing Executive Officer and Development Division Manager)

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members). At meetings of the Board of Directors, Audit & Supervisory Board Members are required to give objective opinions on Board meeting agenda items. Audit & Supervisory Board Members also audit the status of decision-making and business execution by Directors.

The chairperson and members of the Audit & Supervisory Board are as follows.

Chairman: Hideaki Hisanaga (full-time Audit & Supervisory Board Member)

Members: Tomoko Horikawa (Outside Audit & Supervisory Board Member) and Hirotaka Okada (Outside Audit & Supervisory Board Member)

The Company has established a voluntary Nomination & Compensation Committee, and matters concerning the nomination of Director and Audit & Supervisory Board member candidates and compensation, etc. for individual Directors are determined through deliberation by the Board of Directors based on this Committee's report. The consent of the Audit & Supervisory Board is obtained in advance for matters related to the nomination of Audit & Supervisory Board Member candidates.

The chairperson and members of the voluntary Nomination & Compensation Committee are as follows.

Chairperson: Yasuaki Yamanishi (Chairman and Representative Director)

Members: Shigeki Machida (President and Representative Director), Masahiro Nishikawa (Outside Director), Izumi Yano (Outside Director), Naomi Aoyama (Outside Director)

In addition, the Company receives advice and guidance from four advisers in the interests of appropriate and efficient management

oversight.

Reasoning for the Adoption of this System

The Company recognizes that the above corporate governance system functions effectively, and believes that this system, in conjunction with the internal control systems and compliance and risk management systems explained later, achieves efficient business execution and an effective management oversight function.

Furthermore, the Company has appointed individuals with extensive experience and broad insight as Outside Directors, to increase management objectivity and transparency from an independent standpoint.

(3) Other Matters related to Corporate Governance

- Status of development of internal control systems and compliance and risk management systems

i) The Compliance and Risk Management Committee is administered by the Management Administration Division, 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.

ii) The Company established the Izumi Group Charter of Conduct to serve as a model of behavior for Directors and employees of the Company and its subsidiaries, and we endeavor to comply with laws and regulations in our business activities. In addition, to ensure full compliance with the law in our business activities and raise awareness around this issue, the Company has set up an internal reporting system, the Izumi Hotline. The Company is also committed to preventative measures against the various risks that may be faced by the Company and our Group companies.

iii) To handle such risks as may arise in our business activities, we have set up a company-wide communication structure with the primary aims of securing the safety of our customers and minimizing damages and other losses. This structure puts in place a system allowing an Emergency Response Headquarters to be established immediately in the event of an earthquake or other emergency. These Headquarters are led by our Deputy President and Director, and our general sales supervisor.

- Systems to ensure appropriate operations within the corporate group (the Group), which is made up of the Company and its Group companies

i) Group companies are required to report on their operating results, financial status and other important information once every three months through exchanges of information between the President of the Company and the President of the Group company. In addition, Group companies are required to discuss measures to deal with management issues once a month, through discussions with the Group Management Division Manager and the President of the Group company.

ii) Regarding risk management concerning the Group companies, at Group Company Compliance and Risk Management Committee meetings held each month, measures are deliberated after receiving reports on the risks faced by Group companies.

iii) The Company appropriately manages and supervises the overall Group, including the formulation of annual management plans related to Group companies on a consolidated basis in line with the Affiliate Company Management Regulations.

iv) Legal compliance and risk management matters deliberated and decided by the Group Company Compliance and Risk Management Committee are disseminated by the Compliance and Risk Management Committee members of Group companies among their respective Directors and employees.

v) The Internal Audit Section in the Company's Management Administration Division periodically audits the status of Group company business activities.

vi) Systems are in place so that when a risk involving serious legal violations or a loss of social credibility unfolds at a Group company, the matter is promptly reported to the Company's Management Administration Division.

(4) Outline of Liability Limitation Agreement

The Company has concluded agreements for the limitation of liability, by which the liability for damages stipulated in Article 423, paragraph (1) of the Companies Act is limited by the provision of Article 427, paragraph (1) of the said Act, with its Outside Directors and Audit & Supervisory Board Members.

The maximum amount of liability for damages under these agreements is the minimum liability limit stipulated by law.

2. Status of Audits

(1) Status of Audits by Audit & Supervisory Board and Internal Audits

The Audit & Supervisory Board consists of one full-time member and two outside members for a total of three members. As a rule, the Audit & Supervisory Board meeting is held once a month. The Full-time Audit & Supervisory Board Member has extensive knowledge of all the Company's operations gained from leading operations at some of the Company's large stores, and serving in positions such as Sales Department Manager of a zone, and Kaizen Promotion Department Manager at Head Office. The two Outside Audit & Supervisory Board Members are a certified public accountant and tax accountants respectively. Each member receives reports from the Internal Audit Section and shares internal audit information, and the Audit & Supervisory Board members, the Financial Auditors and the Internal Audit Section work together to regularly visit the stores for (on-site) audits to share information. In this way, the situation of the internal controls and of accounting audits can be tracked and the reports of the Financial Auditors on the results of accounting audits are submitted at the meetings of the Audit & Supervisory Board.

(2) Status of Internal Audits

The Company's internal audit function is bolstered by an Internal Audit Section, which is staffed by eight people and operates from within the Management Administration Division, independent of other divisions.

Based on the yearly audit plan, the Internal Audit Section monitors whether business is being conducted appropriately and effectively, offers advice and guidance to the departments within the Head Office, the store network and the Group companies, and reports the results of these activities to the President and Representative Director and the Audit & Supervisory Board members.

3. Reasons for Adoption of Current Corporate Governance System

The Company recognizes that the above corporate governance system functions effectively, and believes that this system, in conjunction with the internal control systems and compliance and risk management systems explained later, achieves efficient business execution and an effective management oversight function.

Furthermore, the Company has appointed individuals with extensive experience and broad insight as Outside Directors, to increase management objectivity and transparency from an independent standpoint.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company sends out the notice as early as possible before the statutory deadline. The Company also discloses some information before sending out the notice.
Electronic Exercise of Voting Rights	The Company has introduced the electronic exercise of voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in the Electronic Voting Platform by ICJ Incorporated.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Company discloses the notice in English on the website of the Tokyo Stock Exchange and its own website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Individual Investors	The Company holds company briefings for individual investors and also participates in seminars for individual investors organized by securities firms.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	Briefings on financial results and management policies are held after the full-year and interim results announcements, in hybrid format combining in-person and online attendance.	Held
Regular Investor Briefings held for Overseas Investors	The Company attends conferences held by securities firms.	Not Held
Online Disclosure of IR Information	URL for IR information https://www.izumi.co.jp/ Information posted: Monthly sales, financial results materials, performance trends, share information, General Meeting of Shareholders, IR calendar, financial results announcements, IR information (in English), new releases, share price information URL for IR information in English https://www.izumi.co.jp/corp/e_ir/	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Planning Department is the department in charge of IR activities.	

[Translation]

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Rules are stipulated in the Izumi Group Charter of Conduct and Multi-Stakeholder Policy.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company is committed to activities that contribute to the local community and environmental activities, and also prepares the Izumi Group Social and Environmental Report.
Other	The Board of Directors consists of six male Directors (one of which is an Outside Director) and two female Directors (both of which are Outside Directors). The Audit & Supervisory Board consists of two male members (one of which is an Outside Audit & Supervisory Board Member) and one female member (who is an Outside Audit & Supervisory Board Member).

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

A summary of the resolution of the Company's Board of Directors regarding systems for ensuring appropriate business operations is as follows.

1. Systems to ensure that Directors conform to laws, regulations and the Articles of Incorporation in the performance of their duties, and systems to ensure that employees do the same

(1) To ensure that the Company appropriately fulfills its social responsibilities as a corporate group and continues to be a trustworthy corporation functioning as a public institution in society, the Company positions the strict enforcement of compliance (adhering to laws and regulations) as a key management issue, promotes an effective compliance system, and establishes a position of being trusted by society.

(2) A Management Administration Division is established to promote compliance among Directors and employees across the corporate group.

(3) Directors and employees uphold the Izumi Group Code of Conduct to ensure thorough legal compliance in business activities, and carry out their duties with the Code of Conduct serving as the guideline for their activities.

(4) The Internal Audit Section within the Management Administration Division monitors the actual conditions of business implementation at the Company through internal audits conducted on a regular basis, verifying that all business activities conform to laws, regulations, the Articles of Incorporation and other requirements.

(5) A whistleblowing system is in place as a reporting system to address cases where an employee is discovered to have engaged in conduct that violates laws, regulations or the Articles of Incorporation.

(6) The Management Administration Division periodically reports to the Board of Directors and Audit & Supervisory Board on the status of compliance.

(7) The Company develops and operates internal control systems related to financial reporting, and has systems in place to appropriately evaluate and report on their effectiveness.

(8) The Company stands firmly against antisocial forces and has systems in place to ensure the Company has no relationships with them.

2. Systems for the storage and management of information relating to the performance of duties by Directors

(1) Regarding information and documents including electronic records relating to the performance of duties by Directors, the Company follows its internal regulations and related administrative manuals to perform appropriate storage and management (including disposal) operations, and as necessary verifies the operational status and makes improvements to the various regulations and other requirements.

(2) The Company has in place systems enabling information including electronic records relating to the performance of duties by Directors to be viewed after the fact as needed.

3. Regulations and other systems for management of the risk of loss The Company recognizes risks to be uncertain events inherent in its business activities, promptly determines policies for identifying, assessing and taking corrective measures against those risks, and develops systems enabling the management of those risks through the Board of Directors.

4. Systems to ensure that Directors perform their duties efficiently

(1) Directors, guided by the Company's management philosophy, operate to achieve targets within their respective business execution lines based on annual plans formulated each year, and the Company's Medium-term Management Plan.

In addition, Directors periodically confirm through performance reports whether they are making progress on management targets as originally planned.

(2) All matters prescribed in the Board of Directors Regulations and matters that fall under the criteria for submission are submitted to the Board of Directors in compliance with these rules, and when doing so, materials sufficient for deliberating over the submitted matters are distributed to all board members.

5. Systems to ensure appropriate operations within the corporate group (the Group), which is made up of the Company and its Group companies

(1) Group companies are required to report on their operating results, financial status and other important information once every three months through exchanges of information between the President of the Company and the President of the Group company.

In addition, Group companies are required to discuss measures to deal with management issues once a month, through discussions with the Group Management Division Manager and the President of the Group company.

(2) Regarding risk management concerning the Group companies, at Group Company Compliance and Risk Management Committee meetings held each month, measures are deliberated after receiving reports on the risks faced by Group companies.

(3) The Company appropriately manages and supervises the overall Group, including the formulation of annual management plans related to Group companies on a consolidated basis in line with the Affiliate Company Management Regulations.

(4) Legal compliance and risk management matters deliberated and decided by the Group Company Compliance and Risk Management Committee are disseminated by the Compliance and Risk Management Committee members of Group companies among their respective Directors and employees.

(5) The Internal Audit Section in the Company's Management Administration Division periodically audits the status of Group company business activities.

(6) Systems are in place so that when a risk involving serious legal violations or a loss of social credibility unfolds at a Group company, the matter is promptly reported to the Company's Management Administration Division.

6. Matters regarding the independence of employees who assist with the duties of Audit & Supervisory Board Members from Directors, and matters related to ensuring the effectiveness of the instructions given to such employees

(1) The Audit & Supervisory Board Member's Office is established as the department responsible for assisting Audit & Supervisory Board Members with their duties, and the employees appointed to provide assistance must follow the instructions given by Audit & Supervisory Board Members.

(2) The consent of the Audit & Supervisory Board is required for the appointment of employees who will belong to the Audit & Supervisory Board Member's Office and assist its members.

(3) Care is taken not to impede the independence of employees assigned to provide assistance in the Audit & Supervisory Board Member's Office by imposing unreasonable restrictions on the execution of their duties.

7. Systems for the Group's Directors and employees to make reports to the Company's Audit & Supervisory Board Members and systems to ensure that persons who have made reports to the Company's Audit & Supervisory Board Members are not subjected to disadvantageous treatment for having done so

(1) The Directors and employees of the Group are required to provide the reports and information necessary to comply with the requests of each Audit & Supervisory Board Member in accordance with the provisions established by the Company's Audit & Supervisory Board.

(2) When a Director or employee of the Group has submitted a report to the Company's Audit & Supervisory Board Members, it is thoroughly communicated to the Group's Directors and employees that the individual concerned should not be subjected to disadvantageous treatment for having made such a report.

8. Policies concerning the payment of costs arising in relation to the execution of the duties of the Company's Audit & Supervisory Board Members, and other systems to ensure that audits are effectively carried out by the Company's Audit & Supervisory Board Members

(1) The Company bears the costs for consultations, evaluations, investigations and other fees for services entrusted to lawyers and other outside experts required for Audit & Supervisory Board Members to carry out audits.

(2) The Representative Director and other Directors of the Group strive to engage in mutual communication with Audit & Supervisory Board Members on a regular basis, recognize the importance and effectiveness of Audit & Supervisory Board Member audits while gaining a deeper understanding of them, and actively assist with any requests from Audit & Supervisory Board Members.

(3) Audit & Supervisory Board Members regularly exchange views and share information with the Internal Audit Section of the Management Administration Division as well as the Financial Auditor and carry out audits in coordination with them.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

Based on the belief that compliance is fundamental to social responsibility in corporate activities, the Company's Board of Directors established the Izumi Group Charter of Conduct as a code of conduct for the Company and its subsidiaries in accordance with the Basic Policy Concerning Development of Internal Control Systems. More specifically, the Charter of Conduct stipulates that "We shall resolutely confront anti-social forces and organizations that threaten the social order and the safety of citizens," and the Company recognizes that eliminating anti-social forces is a requirement for compliance. The Company shall have no relationship, including dealings, with anti-social forces, and shall not engage in hidden deals with them nor fund them. The Company shall work with external specialist organizations such as the policy to defend as an organization against any demands from anti-social forces, and shall take civil and criminal legal measures where necessary.

The Company has developed internal systems such as the following to help eliminate anti-social forces. In terms of internal organizations, etc., the Company has assigned roles to each business unit, designated the Head Office General Affairs Section as the business unit that oversees the companywide response, and developed various manuals. The Company has also put in place systems for seeking cooperation with external organizations such as the Anti-Organized Crime Campaign Center in each prefecture, companies specializing in crisis management, the police, and lawyers.

In terms of internal control activities, the Company posts various manuals on the intranet to raise awareness among employees, actively participates in unreasonable demand prevention officer training, receives advices from outside specialist organizations, and takes appropriate action. In addition, the Company actively endeavors to gather information about anti-social forces from specialist organizations such as the police and lawyers as well as from the Corporate Defense Council, etc.

[Translation]

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

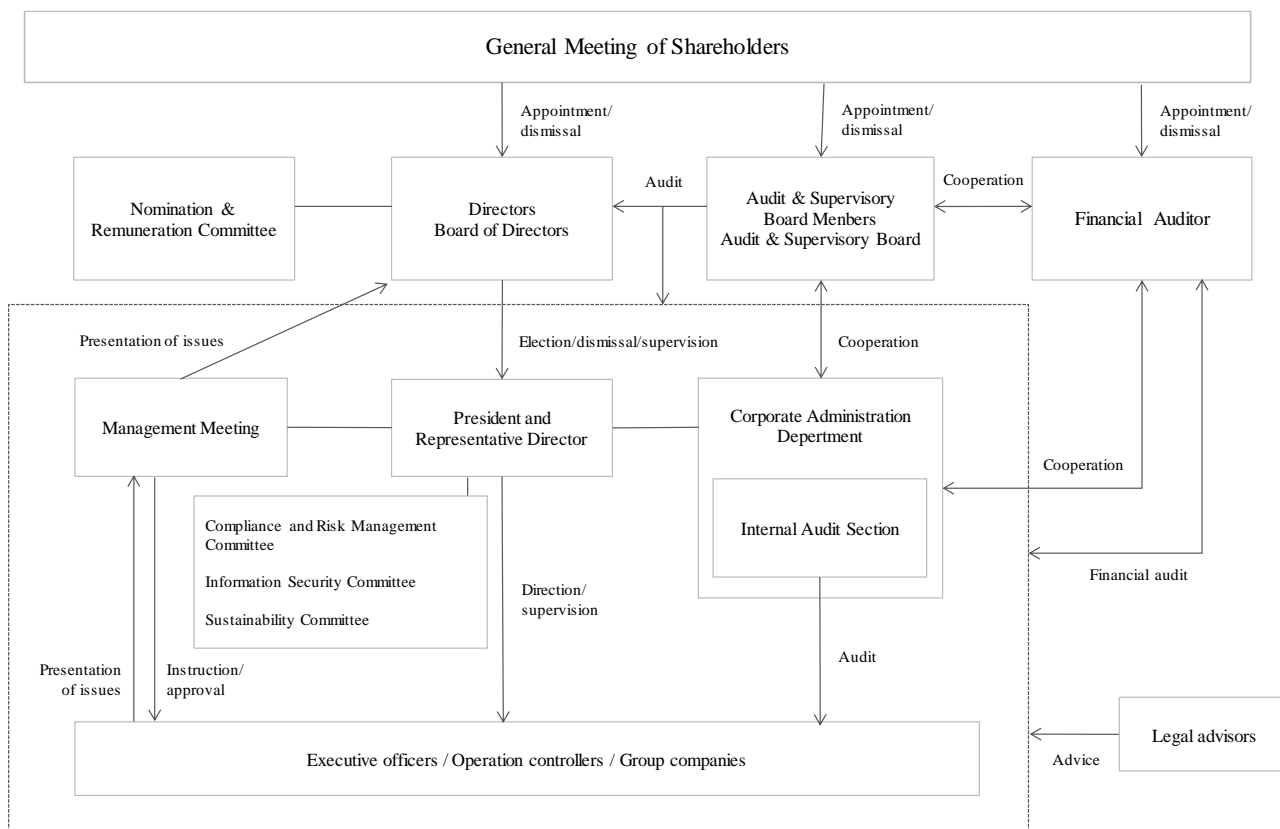
Not Adopted

2. Other Matters Concerning the Corporate Governance System

The Company identifies and manages material facts and financial information concerning the Company and its subsidiaries and endeavors to make timely and appropriate disclosure in compliance with laws and regulations and the rules of stock exchanges.

The internal system for timely disclosure is as follows.

- The Disclosure Review Meeting attended by multiple divisions identifies grounds for disclosure across the Group and considers the need for disclosure.
- The Disclosure Review Meeting manages the procedures for preparing, reviewing, and submitting disclosure documents.
- The Disclosure Review Meeting endeavors to identify moves to amend various laws and regulations and endeavors to systematically share this information in the interests of acquiring accurate information about disclosure.



Skill matrix

< Areas in which our Directors and Audit & Supervisory Board Members have (●) or are developing (○) expertise or experience >

Name Position	Business management and management strategy	Ability to respond to change	Retail experience	Product development and merchandising	Store opening strategy	Financial accounting and finance	Governance risk management and legal affairs	Personal & labor and capacity building	ESG and sustainability	IT and promoting digital transformation
Yasuaki Yamanishi Representative Director	●	●	●		●		●	●	●	○
Shigeki Machida Representative Director	●	●	●	●	●	●	○	○	●	○
Daisuke Yamanishi Director	●	●	●	○	○	●	○	●	●	○
Hideki Tahara Director	●	●			○	●	●	●	●	○
Takayuki Aoki Director	○	●			●			●	○	
Masahiro Nishikawa Outside Director	●	●				●	●		●	
Izumi Yano Outside Director	●	●	●	○			●		●	
Naomi Aoyama Outside Director	●		●					●	●	●
Hideaki Hisanaga Full-time Audit & Supervisory Board Member	○	●	●	●			○		○	
Tomoko Horikawa Outside Audit & Supervisory Board Member	●	●				●	●	●	●	
Hiroataka Okada Outside Audit & Supervisory Board Member						●	●			

* The table above is not an exhaustive list of the expertise and experience of Directors and Audit & Supervisory Board Members of the Company.