

Financial Results for FY2/21 and Mid-term Management Plan

Tuesday, April 6, 2021



This is Oota, Planning Section General Manager. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today.

First, I will begin by explaining the results for the fiscal year ended February 2021. After that, President Suzuki will explain the earnings forecast and medium-term management plan for the fiscal year ending February 2022.

## Consolidated Results: Income Statement

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- Net sales increased by 4.0% YoY. Operating income increased by 65.4% YoY.
- Net income increased by 99.3% YoY. Extraordinary losses shrank significantly.

(Million yen/%)

	FY2/21	Ratio to sales	FY2/20	YoY	FY2/20 Q4 (Dec.-Feb.)	YoY
Net sales	542,608	100.0	521,982	104.0	138,155	108.2
Gross profit	184,092	33.9	169,675	108.5	46,131	117.1
SG&A	147,018	27.1	147,602	99.6	39,501	111.0
Operating income	38,026	7.0	22,985	165.4	6,865	170.0
Ordinary income	39,404	7.3	23,855	165.2	7,435	169.5
Net income	26,163	4.8	13,125	199.3	4,611	—
Net income per share	711.93 <sub>yen</sub>	—	357.15 <sub>yen</sub>	—	125.48 <sub>yen</sub>	—

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Please see page 2 of the material. I would like to explain the consolidated financial results for the fiscal year ended February 2021.

The actual results for each figure are shown here.

First of all, in terms of external factors, the refrain from going out due to the spread of the new coronavirus infection had a major negative impact on consumer spending, and the declaration of a state of emergency was issued in the first quarter, resulting in a significant drop in sales.

From the second quarter, the government's measures to stimulate consumption, such as benefits and the Go To campaign, had a certain effect, but the infection reemerged in the fourth quarter, and the second declaration of a state of emergency was issued, resulting in a severe consumption environment throughout the year.

On the other hand, as for the weather, in the first half of the year, high temperatures continued in May and June, and although there was a lot of rain in July, August was extremely hot. In the second half of the year, mornings and evenings began to get cold in September and October, and from November to January, it was winter-like cold. In addition, for the first time in 12 years, there were no typhoons on land, so the weather was suitable for sales of seasonal products throughout the year.

In response to these external factors, we pushed forward with strengthening our product and sales capabilities, and as a result, our business performance exceeded last year's, despite the severe consumption environment.

In addition, net income increased by 99.3% compared to the previous fiscal year due to the suppression of impairment losses on stores.

The annual dividend per share is expected to be JPY220, an increase of JPY20 from the previous fiscal year.

## Sales by Business

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- Even under the COVID-19 crisis, domestic sales increased by 4.0% YoY, through the brand restructuring, adapting to "new normal" lifestyles, enhancing product planning capability.

(Million yen/%)

	FY2/21	Composition ratio	FY2/20	YoY	FY2/20 Q4 (Dec.-Feb.)	YoY
<b>Shimamura</b>	412,095	75.9	401,525	102.6	105,137	107.6
<b>Avail</b>	49,480	9.1	50,013	98.9	12,504	99.8
<b>Birthday</b>	62,654	11.5	54,019	116.0	15,180	117.4
<b>Chambre</b>	11,723	2.2	9,784	119.8	3,209	125.2
<b>Divalo</b>	667	0.1	724	92.1	152	97.3
<b>Shimamura (non-consolidated)</b>	536,620	98.8	516,068	104.0	136,184	108.2
<b>Si meng le (Taiwan)</b>	5,829	1.1	5,566	104.7	1,971	115.7
<b>Shi ma la (Shanghai)</b>	158	0.1	347	45.5	—	—
<b>Shimamura (consolidated)</b>	542,608	100.0	521,982	104.0	138,155	108.2

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Please see page 3 of the material. The following is an explanation of net sales by business segment.

The actual results for each figure are shown here.

The Shimamura business increased sales by rebranding its privately developed brand and jointly developed brand with suppliers and appealing to customers by creating sales floors for tops and bottoms and using digital advertising. Products that meet staying home demand, such as relaxing wear and interior goods, were also hot sellers.

In the Avail business, sales of basic wear, loungewear, cushions, and other interior goods were strong. On the other hand, sales of wear, shoes, and bags for going out were sluggish, as seasonal events, such as long vacations and summer festivals for junior and senior high school students, shrank or canceled due to voluntary restraint in going out.

In the Birthday business, JB, which has restructured its brand, appealed to customers through the trinity of products, sales floors, and sales promotion. In particular, JB's tete-a-tete, which has expanded its product line, including wear, underwear, and bedding, performed well. Sales of toys and baby food also increased significantly.

In the Chambre business, sales of women's pajamas, loungewear, cooking and storage products, and interior goods increased significantly, and JB's tsukuru & Lin. products, which were jointly developed with the fashion magazine Liniere, and character products specially ordered by Chambre, also performed well.

As for Shanghai, Shimala, all stores were closed at the end of last October.

## Consolidated Results: SG&A Expenses

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- Advertising expenses: Decreased by 22.8% due to expansion of digital advertising, etc.
- Rent: Decreased by 1.8% due to the closure of stores with sluggish sales, etc.

(Million yen/%)

	FY2/21	Ratio to sales	FY2/20	Ratio to sales	YoY
Salary	61,892	11.4	58,962	11.3	105.0
Total personnel expenses	72,620	13.4	69,947	13.4	103.8
Advertising expenses	11,478	2.1	14,876	2.8	77.2
Total selling expenses	17,931	3.3	20,609	4.0	87.0
Supplies expenses	1,262	0.2	956	0.2	131.9
Display equipment	2,208	0.4	1,716	0.3	128.7
Total operating expenses	7,634	1.4	7,690	1.4	99.3
Rents	33,241	6.1	33,857	6.5	98.2
Depreciation and amortization	5,471	1.0	5,367	1.0	101.9
Total equipment cost	44,625	8.2	45,449	8.7	98.2
Total general expenses	4,206	0.8	3,906	0.8	107.7
Total SG&A expenses	147,018	27.1	147,602	28.3	99.6

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Please see page 4 of the material. The following is a breakdown of consolidated SG&A expenses.

Personnel expenses decreased significantly in the first quarter due to shortened business hours during the period of the declaration of a state of emergency, but from the second quarter, they were at an appropriate level, as store sales activities almost normalized.

Advertising expenses decreased by 22.8% from the previous fiscal year, mainly due to the fact that we refrained from advertising in the first quarter due to the coronavirus crisis, but from the second quarter, we strengthened digital advertising by distributing flyers and video ads on SNS, while suppressing newspaper inserts and reducing TV commercials to zero.

Operating expenses decreased by 0.7% from the previous fiscal year, despite an increase in freight costs due to higher delivery costs and an increase in consumables costs due to infection control measures at stores and the head office, as travel and transportation costs were greatly reduced due to the decision to webcast store manager meetings to prevent the spread of new coronavirus infection.

Rents decreased by 1.8% from the previous fiscal year, mainly due to the closure of stores with sluggish sales.

## Consolidated Results: Balance Sheets

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- Assets: Merchandise inventory remains at an appropriate level. Cash and deposits increased.
- Liabilities: Accounts payable and income taxes payable increased due to higher sales.

(Million yen/%)

	End-FY2/21	Ratio to sales	End-FY2/20	Ratio to sales	Vs. End-FY2/20
Current assets	276,371	61.2	240,113	58.9	115.1
Noncurrent assets	175,427	38.8	167,868	41.1	104.5
Total assets	451,798	100.0	407,981	100.0	110.7
Current liabilities	58,625	13.0	37,158	9.1	157.8
Noncurrent liabilities	8,785	1.9	4,921	1.2	178.5
Total liabilities	67,410	14.9	42,079	10.3	160.2
Total shareholder's equity	380,614	84.2	361,890	88.7	105.2
Accumulated other comprehensive income	3,773	0.9	4,011	1.0	94.1
Total net assets	384,388	85.1	365,901	89.7	105.1
Total liabilities and net assets	451,798	100.0	407,981	100.0	110.7

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Please see page 5 of the material. Here is a breakdown of the consolidated balance sheet.

Current assets increased by 15.1% from the end of the previous fiscal year. The main factor was a 2% decrease in merchandise inventory from the end of the previous fiscal year. On the other hand, the sum of cash and deposits, accounts receivable, and marketable securities increased by 18.5% from the end of the previous fiscal year.

Non-current assets increased by 4.5% from the end of the previous fiscal year, mainly due to the construction of the EC Center and the new head office.

Current liabilities increased by 57.8% from the end of the previous fiscal year. This was due to an increase in income taxes payable as a result of higher net income, and an increase in accounts payable as a result of higher merchandise purchases in February due to strong sales of spring merchandise.

Non-current liabilities increased by 78.5% from the end of the previous fiscal year. This was mainly due to an increase in asset retirement obligations resulting from a review of the estimated unit cost of building demolition at the time of store closure.

Number of Customers, Number of Items Purchased , Unit Price (YoY)							しまむらグループ
<ul style="list-style-type: none"> <li>➤ Number of customers: The number of customers in the two businesses increased in 4Q due to progress in brand restructuring.</li> <li>➤ Number of items purchased: Increased in each business due to bulk buying trends and strengthened proposal capabilities.</li> </ul>							(%)
Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	3Q total	101.0	101.0	96.9	107.5	104.2	96.9
	4Q	107.8	107.6	103.1	105.7	104.4	98.7
	Full-year total	102.6	102.6	98.4	106.9	104.3	97.5
Avail	3Q total	98.8	98.7	92.6	105.4	106.5	101.0
	4Q	99.8	99.8	97.3	104.5	102.5	98.1
	Full-year total	99.0	98.9	93.7	105.1	105.6	100.4
Birthday	3Q total	111.6	115.5	104.3	106.0	110.7	104.5
	4Q	116.5	117.4	108.9	106.1	107.7	101.6
	Full-year total	112.7	116.0	105.4	106.1	110.0	103.7

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Please see page 6 of the material. I will explain the results of the Shimamura business for the fiscal year ended February 2021, with respect to sales, the number of customers and the number of items purchased, and sales per customer for existing stores and all stores.

The number of customers decreased by 1.6% from the previous fiscal year. Although the first quarter saw a significant decrease of 22.8% compared to the previous quarter, due to people refraining from going out, the number increased from the second quarter due to favorable weather conditions and enhanced digital advertising, and the fourth quarter was also higher than the previous year.

The number of items purchased increased by 6.9% from the previous fiscal year. In addition to the continued trend of bulk purchases due to the coronavirus crisis, sales increased YoY due to the strengthening of proposals for coordinated wear with JB and the introduction of flat-top fixtures in the underwear and socks sections, which made it easier to select products.

Unit price per item decreased by 2.5% from the previous fiscal year. Products that performed well in terms of staying home demand were relaxing wear, which has a lower unit price than going-out wear, and as a result, it led to a YoY decline in sales.

## Gross profit, Discount, Inventory YoY

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- Gross profit improved as a result of reduced price discounting due to improved inventory control, addition of hot-selling products through short-term production, and curbing of limited-time discounts.

(%)

Business	Period	Gross profit			Discount			Inventory
		Gross Profit YoY	Gross margin	YoY	Discount price YoY	Discount rate	YoY	Inventory YoY
Shimamura	3Q total	103.6	33.4	+0.9	82.7	8.5	-1.9	96.1
	4Q	116.8	32.6	+2.6	75.3	8.0	-3.4	91.6
	Full-year total	107.0	33.1	+1.2	80.8	8.4	-2.3	95.0
Avail	3Q total	103.2	37.9	+1.6	84.2	17.5	-3.0	90.3
	4Q	107.5	38.2	+2.8	77.4	15.7	-4.5	93.5
	Full-year total	104.2	38.0	+1.9	82.5	17.0	-3.4	91.1
Birthday	3Q total	122.5	34.3	+2.0	77.6	5.8	-2.8	88.8
	4Q	124.0	33.7	+1.8	87.1	5.1	-1.7	83.7
	Full-year total	122.8	34.1	+1.9	79.5	5.6	-2.6	87.5

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Please see page 7 of the material. I will explain the results of the Shimamura business for the fiscal year ended February 2021 regarding gross profit, price decline, and inventory.

Gross profit increased by 7% from the previous fiscal year, or plus 1.2 percentage points. Price reduction was down 19.2% from the previous fiscal year, or minus 2.3 percentage points.

The main factors behind the increase in gross profit and the decline in price reductions were that seasonal products were selling well, so we were able to sell at proper prices while suppressing price reductions, and by utilizing short-term production, we were able to increase overall inventory while adding top-selling products, and we reduced the limited-time discount to curb the price reduction.

The percentage of short-term production was 27% for the entire year for wear. In particular, the women's and teens' department expanded by 51% and the baby and children's department by 35%.

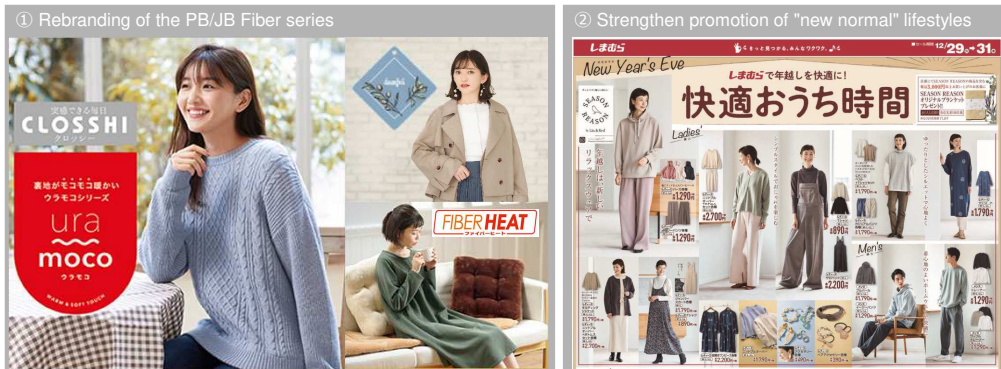


**Strengthening product appeal** -Rebranding and responding to changes in consumption trends① Rebranding of the PB/JB Fiber series

- ▼ Redefine the concept and appeal through the trinity of products, sales space, and sales promotion.
- ▼ JB has also launched a new brand, offering various tastes products for customers in different age groups.

② Prompt and accurate responses to "new normal" lifestyles

- ▼ Expand lineup of relax wear, sportswear, and hygiene items.
- ▼ In the flyer, we strengthened our focus on trending themes such as "new normal" and "cleanliness".



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Please see page 8 of the material. We will explain the results of our efforts to address priority issues for the fiscal year ended February 2021. First, let me explain the Shimamura business. I would like to talk about the rebuilding of our brand, which is the pillar of strengthening our product capabilities.

In the first quarter, we redefined the brand concept for the PB CLOSSHI and Fiber series, and JB, jointly developed brands with suppliers, and conducted inner branding to disseminate the definition to employees.

From the second quarter, each rebranded brand was launched as a trinity of products, sales floors, and sales promotion, and as a result of appealing to customers, the PB ratio to the sales of the Shimamura business was 28%.

Next, I would like to discuss how to respond to changes in consumption trends.

Due to the self-restraint in going out that has continued since the first quarter, a new lifestyle—known as the new lifestyle manner—has taken root, and consumption trends have changed significantly. For this reason, the product department reviewed the purchasing budgets for each product category every month, expanding purchasing and sales floors for hot-selling products, and conversely, reducing purchasing and sales floors for less popular products.

As a result of these measures, sales of relaxing wear and sportswear have increased significantly, and conversely, we have been able to control inventory and price reductions by scaling back purchases of shoes and bags for going out, and business-related products.

In advertising, we also increased our efforts to respond to changes in consumption trends, such as the new lifestyle manner and cleanliness, and sales of the relevant flyer products were strong.



### Strengthening product appeal -Expansion of digital advertising and strengthening regional marketing

#### ① Diversification of sales promotion methods and expansion of digital advertising

- ▼ In line with the increase in social media followers, expand the ratio of web flyers to about half of the total ads.
- ▼ Expansion of video ads and launch of segment-specific distribution. Air no TV commercials.

#### ② Strengthen product lineup, sales promotion and sales floor creation in line with regional characteristics

- ▼ Strengthen response in snowfall areas and in Hokkaido/Okinawa prefecture. Unprofitable stores switched to offer special price items.
- ▼ Strengthen cooperation between stores and the Merchandise Department, and reflect local information in product lineup and sales floor creation.



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Please see page 9 of the material. Regarding the enhancement of our sales capabilities, we will explain the expansion of digital advertising and our response by region.

First, I will talk about the expansion of digital advertising.

We have been expanding digital advertising since the second quarter, and video advertising since the third quarter, in line with the increase in opportunities for consumers to view social networking sites and videos at home, due to the refrain from going out due to the coronavirus crisis.

In addition, as the number of SNS members increased, we reduced the number of newspaper inserts, and expanded the number of web flyers to about half of the total. In video advertising, new methods of distributing ads by product segment, such as by age and gender, have been introduced and are proving to be effective.

Next, I would like to talk about strengthening of regional responses.

Store managers in each region of the country, and the product department at the head office, worked together to collect product information and strengthen the product lineup tailored to each region. In particular, we focused on Hokkaido, Okinawa, and areas where there is a lot of snowfall, and took steps to create products, sales floors, and sales promotions in line with the needs of each region, which resulted in increased sales at the stores concerned.

In the Tohoku and Hokuriku regions, where newspaper inserts are highly effective, we replaced web flyers with inserts and increased the number of products for seniors and special price items in the flyers, which led to improved sales at the stores concerned.

## Strengthening product appeal and sales promotion -Responding to stay-at-home demand and improvement of store layout

### ① Increase sales by responding appropriately to stay-at-home demand

- ▼ Expand loungewear and sportswear for both men and women.
- ▼ Expand customer base by enhancing product lineup for interior and basic wear.

### ② Strengthen product proposal by changing to new layouts

- ▼ Strengthen proposals for coordinating tops & bottoms of trendy products.



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Please see page 10 of the material. This section explains the initiatives of the Avail business.

First, I will talk about measures for the staying home demand.

At Avail, demand for going-out clothes, shoes, and bags shrank due to voluntary restraint in going out. On the other hand, we accurately grasped staying home demand and expanded the merchandise and sales floor of loungewear and sportswear in men's and women's clothing and took additional measures for hot-selling products through short-term production.

In addition, in order to respond to changes in the customer segment at suburban stores, we expanded our lineup of interior and basic wear to attract new customers.

Next, I will talk about improvements of the layout.

At Avail, which offers trendy products according to taste under the theme of "Wear it Now," we changed to a new layout and strengthened our ability to propose coordinated tops and bottoms, which led to an increase in the number of items purchased.

**Strengthening product appeal and sales promotion -Revision or abolition of brands and strengthen proposal capabilities**

- ① **Expand product lineup for mainstay JB. Restructuring of existing JB. Launched new JB.**
  - ▼ JB "tate a tete" expanded to include wear and bedding, and sales increased significantly.
  - ▼ Sales of existing JB grew due to a review of tastes of items. New JB launched and is performing well.
- ② **Strengthen product proposal capabilities through the trinity of products, sales space, and sales promotion.**
  - ▼ JB strengthened dissemination of brand stories through sales floor creation and digital sales promotion.
  - ▼ Motivational Gondolas installed in the main aisles to promote seasonal products.



Please see page 11 of the material. This section explains the efforts of the birthday business.

First, I will talk about rebranding.

In the fiscal year ended February 2021, we focused on establishing JB as the axis of the Company by further revising and eliminating brands. As a result, tete a tete, the mainstay of JB, expanded its product lineup to include not only wear but also underwear and bedding, all of which have become hot-selling products.

In addition, futafuta, the existing JB, was able to increase sales again by reviewing the taste of its products and rebuilding its brand image. In addition, manina, the newly launched brand, has been performing well and is steadily growing as the next JB.

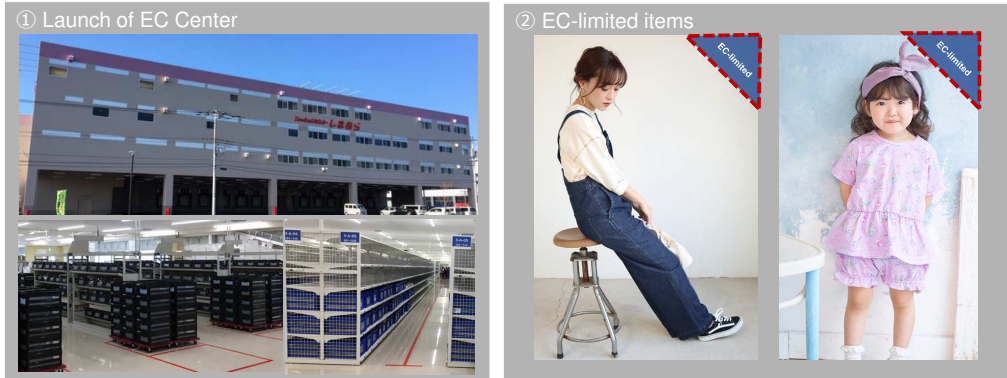
Next, I would like to talk about the strengthening of our ability to make proposals.

In creating JB's sales floor, we set up a display of wear tops and bottoms, shoes, and accessories in one place at the front of the sales floor to promote the brand through total coordination. The brand story of each JB was also communicated through images and videos on the website and SNS.

In addition, the motivational gondola installed on the main aisle allowed us to promote seasonal products by setting up timely special sales areas for each seasonal event, such as school entrance and Christmas.

## Launched an EC center and an online store

- ① The EC Center started operation in August 2020.
  - ▼ Located in the existing Higashi-Matsuyama Product Center. Operating based on "low-cost e-commerce".
  - ▼ About 90% of all customers prefer to pick up their products at the store. Effective for mutual customer transfer between web shop and physical stores.
- ② The online store opened in October 2020. Sales were generally in line with expectations.
  - ▼ Sales in FY2020 were approximately 1.7 billion yen for "Shima-colle" + "EC Business".
  - ▼ EC-limited items such as collaboration with influencers and characters are hot sellers.



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Please see page 12 of the material. We will explain our EC business initiatives.

The Company's own EC center, which was built alongside the existing Higashi Matsuyama Center, was completed in February 2020, and began operating in August under the theme of low-cost EC. Once in operation, we are working to improve the efficiency of each operation, from receiving products to shipping them.

In addition, customers can choose to pick up their products either at the store or at home. Currently, about 90% of all customers prefer to pick up their products at the store, which is higher than initially expected, and this has had a great effect on the mutual customer transfer between the online store and the physical store.

In FY2020, sales in the EC business were approximately JPY1.7 billion, including "Shima-colle," the mail order application that was in operation until September.

In terms of sales content, influencer projects, character products, and products exclusive to the online store, such as large size products, were the top sellers.

In terms of service, we started pre-order sales in December to prevent chance loss due to sell-out.

In the future, we will continue to enhance our product lineup unique to the EC with the aim of maximizing sales by mutual customer transfer between EC and physical stores.

## Consolidated Business Forecasts for FY2/22 **しまむらグループ**

- Net sales are expected to increase by 2.3% YoY, and operating income is also expected to increase by 1.6% YoY.
- Dividend per share is planned to be 220yen.

(Million yen/%)

	FY2/22 Forecast	Ratio to sales	FY2/21 Result	Ratio to sales	YoY
Net sales	554,837	100.0	542,608	100.0	102.3
Gross profit	186,980	33.7	184,092	33.9	101.6
SG&A	149,297	26.9	147,018	27.1	101.5
Operating income	38,646	7.0	38,026	7.0	101.6
Ordinary income	39,594	7.1	39,404	7.3	100.5
Extraordinary loss	1,087	0.2	1,408	0.3	77.2
Net income attributable to owners of parent	26,277	4.7	26,163	4.8	100.4
Net income per share	715.03yen	—	711.93yen	—	—
Dividend per share	220yen	—	220yen	—	—

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Thank you for your continued support. This is Suzuki, the President. I will now explain our business forecast for the fiscal year ending February 2022.

Please see page 13 of the material.

For the fiscal year ending February 2022, we plan net sales of JPY554.8 billion, up 2.3% YoY, and gross profit up 1.6% YoY.

We will further strengthen our product and sales capabilities in each business, and in addition, we will improve sales per existing store by expanding our EC business beyond the Shimamura business. We will also ensure gross profit by improving inventory control accuracy and reducing price drops.

SG&A expenses will be JPY149.2 billion, up 1.5% from the previous fiscal year. The SG&A ratio is planned to be 26.9%.

We will simplify store operations, digitize advertising, and negotiate rent, mainly for unprofitable stores, to reduce the SG&A ratio and improve overall operational efficiency.

Operating income is projected at JPY38.6 billion, up 1.6% from the previous fiscal year, with an operating margin of 7%.

The annual dividend per share is expected to be JPY220.



## **Unified theme "Reborn -Revitalization and Evolution"**

### **① Strengthen product appeal**

- ▼ Expansion of existing brands and development of new brands for PB and JB
- ▼ Strengthen branding through the trinity of products, sales space, and sales promotion.

### **② Strengthen sales capabilities**

- ▼ Establishment of digital sales promotion, optimization of flyer sales promotion
- ▼ Strengthen regional response based on regional characteristics and individual store requests

### **③ Laying the foundation and infrastructure**

- ▼ Strengthening DX led by each store
- ▼ Review of employee training curriculum
- ▼ Strengthening ESG initiatives

### **④ Measures for the future**

- ▼ Expand e-commerce into each business by expanding its product lineup and services
- ▼ Restart the Divalo Business as shoes & fashion store

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Next, on page 14, I will explain our management policy for the fiscal year ending February 2022. The unifying theme for the current fiscal year is "Reborn 'Revitalization and Evolution.'" "Reborn" is a continuation from last year, but from this fiscal year, we have added the keywords "Revitalization and Evolution." This is the theme we set with the idea of revitalizing what should not have been changed and evolving what needs to be changed.

In line with this theme, we aim to improve our business performance by strengthening our product and sales capabilities through further cooperation with our stores and head office departments in all businesses.

First of all, in terms of strengthening product appeal, we will expand existing brands and develop new brands in each business for PB and JB. In addition, each brand will appeal to customers through the trinity of products, sales floors, and sales promotion, and by strengthening branding, we aim to increase customers' recognition of the brand and improve sales.

In terms of strengthening sales capabilities, we will establish digital sales promotion methods through websites and SNS in each business, and in terms of flyer sales promotion, we will optimize the balance between inserts and web flyers to improve their sales promotion effectiveness. In addition, we will strengthen our regional response in terms of both products and sales promotion, based on regional characteristics and individual store requests.

With regard to the development of the foundation and infrastructure, we will push forward with the following three initiatives: strengthening DX led by the sales field, redeveloping employee education centered on the education department launched last fiscal year, and strengthening ESG initiatives.

In addition, in response to the future, the EC business will expand its product lineup and services and start handling products in businesses other than Shimamura.

In addition, the Divalo business will be relaunched for shoes and fashion.

- All businesses plan to increase sales for the full year, excepting Divalo, which will see a decline in stores.

(%)

YoY (All store)	1H	2H	Full-year
Shimamura	108.3	96.7	102.1
Avail	107.0	98.9	102.7
Birthday	103.1	102.2	102.6
Chambre	108.5	103.8	106.0
Divalo	—	—	89.9
Si meng le (Taiwan)	—	—	100.1

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Next, I will explain the sales plan by business segment. Please see page 15 of the material.

In the Shimamura business, the annual sales are planned to increase by 2.1% YoY. Sales for the second half of the fiscal year is planned to decrease by 3.3% from the previous fiscal year based on the results of the previous year. But for the full year, we plan to exceed the previous year in which sales increased. Compared to the year before last, we plan a 4.8% increase.

Next, in the Avail business, we have set a plan for annual sales growth of 2.7% YoY. In the second half of the fiscal year, as with the Shimamura business, the plan is based on the results of the previous year.

In the previous fiscal year, sales in the Birthday business and the Chambre business increased due to steady improvements in brand strategy, creating sales floors, and sales promotion, but this fiscal year, we will make further improvements and plan to increase sales.



**Unified theme "Reborn -Revitalization and Evolution"****① Shimamura Business**

- ▼ Expansion of PB, JB, and Fiber Series and development of new brands.
- ▼ Expansion of short-term production and improvement of inventory control accuracy.
- ▼ Strengthen the framework and improve planning capabilities throughout the business.
- ▼ Standardization by new layout, and introduction of flat tables in the bedding and interior sales floor.

**② Avail Business**

- ▼ Establishing the brand and total development with the new layout.
- ▼ Expansion of basic wear for men's and women's apparel.
- ▼ Launch of new interior divisions in line with changes in lifestyles.

**③ Birthday Business**

- ▼ Expansion of existing JB's, development of new JB's, and establishment of strong standard products.
- ▼ Inventory optimization and price reduction through the introduction of seasonal products and review of cut-off dates.
- ▼ Establish product lineups and sales areas that respond to regional characteristics.

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Next, on page 16 of the material, I will explain the policy by business.

First, I will talk about the Shimamura business.

In order to further strengthen our product capabilities, we will expand our PB, JB, and Fiber Series brands, and also cultivate new brands. We will also further raise the level of response in short-term production and inventory control of seasonal products in order to improve gross profit. In addition, when launching a brand or seasonal event, we will maximize the effect by creating a mechanism for the entire business, rather than for each department.

As for the sales floors, we will standardize the sales floors in all stores by using the new layout that was changed last year, and we will brush up the sales floors by introducing flat tables in the bedding and interior sales floor.

Next, I would like to talk about the Avail business.

We will hasten the establishment of our brand, which has led to positive results in other businesses, and promote trendy products by displaying total coordination, including shoes and bags, in the new layout that was changed last year.

In addition, we will expand basic wear and launch an interior design division in response to changes in customer segment and consumption trends in the coronavirus crisis to attract new customers.

Next is the Birthday business.

JB, whose sales grew significantly in the last fiscal year, will further broaden its product lineup, and develop new brands. It also establishes a strong standard product that is not affected by climate.

For seasonal products, we will review product introduction and ending times to improve the accuracy of control over inventory and price reductions.

In addition, we will establish product lineups and sales areas for each region of the country.

**Unified theme "Reborn -Revitalization and Evolution"****④ Chambre Business**

- ▼ Expanding JB as a core product in wear and household items, and strengthening special order products in household items.
- ▼ Create a sales floor that is tailored to each lifestyle scene, and promote gift products.

**⑤ Divalo Business**

- ▼ Restart as shoes & fashion store
- ▼ Newly established Sales Planning Department oversees products, sales floor, and sales promotion to strengthen sales capabilities.

**⑥ EC Business**

- ▼ Sales plan: 5 billion yen. Started development in other businesses and acquired new customers.
- ▼ Increased sales and membership by launching a new service following the pre-order sales started last year.

**⑦ Si meng le Business (Taiwan)**

- ▼ Restructuring the brand around PB and JB.
- ▼ Renovation of existing stores and standardization of sales floor layouts to create easy-to-buy sales floors.

17

Next, on page 17, about the Chambre business. In women's wear, we will focus on the three JB brands that have been strong since last year and launch new brands this fiscal year.

In the household items category, where the percentage of sales is increasing due to staying home demand, we will further expand the number of special-order products that can only be purchased at Chambre, including JB, and strengthen our sales capabilities by creating sales floors that consider these lifestyle scenes.

Next is the Divalo business. In order to create a new shoe and fashion business with a greater emphasis on women's shoes and fashion, we will increase the number of buyers in the product department, and the newly appointed sales planning staff will establish a new system to oversee and control merchandise, sales floors, and sales promotion.

Next is the EC business. In terms of product lineups, we will pursue hot-selling products that are unique to the EC, while differentiating ourselves from brick-and-mortar stores by offering products that are only available in the online store.

In the second half of the fiscal year, we will also start EC sales for Avail, Birthday, and Chambre, focusing on JB, which has advanced branding, and its store receipts will be mutual across all businesses to maximize sales.

Finally, the Simengle business in Taiwan. We are in the process of restructuring our business as a general clothing specialty store, and this fiscal year, we will rebuild our product brands with PB and JB as the core to strengthen our product capabilities.

We will also work to raise the level of existing store sales by strengthening sales capabilities through renovation of existing stores, standardization of sales floor layouts, and diversification of sales promotion methods.

**Consolidated Business Forecasts for FY2/22 (Store Opening/Closing Plan) しまむらグループ**

- Plan to open 25 stores. Strengthen Birthday and Chambre stores.
- Plan to close 18 stores. Decrease from the previous year through improving profitability of unprofitable stores.

	End-FY2/21 Number of stores	Planned opening stores	Planned closing stores	End-FY2/22 Number of stores (Plan)
<b>Shimamura</b>	1,430	5	7	1,428
<b>Avail</b>	315	3	3	315
<b>Birthday</b>	298	10	4	304
<b>Chambre</b>	95	7	—	102
<b>Divalo</b>	16	—	1	15
<b>Shimamura (non-consolidated)</b>	2,154	25	15	2,164
<b>Si meng le (Taiwan)</b>	45	—	3	42
<b>Shimamura (consolidated)</b>	2,199	25	18	2,206

18

Next, on page 18 of the material, I will explain the store opening plan by business.

For the year, we plan to open 25 stores in Japan and close 15 stores, for a total of 2,164 stores at the end of the year.

In terms of the breakdown by business, we plan to open more stores in the Birthday business and the Chambre businesses, which have a lot of room to expand.

With regard to store closures, we expect to reduce the number of store closures compared to the previous fiscal year, as our measures to improve the profitability of unprofitable stores are proving effective.

- Capital investment of approximately 106 billion yen is planned, mainly for opening new stores.
- Plan to invest approximately 40 billion yen in land for centers and stores.

(Million yen)

	Amount	Breakdown
Buildings	4,500	New stores, Refurbishment of existing stores
Buildings and structures	500	New stores, Refurbishment of existing stores
Machinery and equipment	600	Product center, EC center
Furniture, fixtures and vehicles	500	New stores, Existing stores
Land	4,000	New stores, New product center
Construction in progress	343	New stores
Total tangible fixed assets	10,443	
Guarantee deposits	143	New stores
Leasehold right	24	New stores
Capital expenditure	10,610	

19

Next, on page 19, I will explain the capital investment plan.

Annual capital investment is planned to be JPY10.6 billion. This is expected to be mainly capital investment in buildings and structures for new store openings.

We also plan to spend JPY4 billion on land. This is expected to be invested as land for the Kansai Center and retail stores.

## Basic Policy

### “Reborn”

We will restore the original brilliance of the Shimamura Group and lay the foundation for growth through our Basic Policy of “Reborn.”

In order to operate the Shimamura Group according to our philosophy, we have set the mission of “building a good company” for our management team. As the first step in continuing to exist as a “good company” in the long-term for our employees, customers, business partners, shareholders, and society, we used the Basic Policy of “Reborn” as a basis for formulating a Medium-Term Management Plan spanning from FY2021 to FY2023.

**Management mission**  
“building a good company”



20

I would now like to explain our medium-term management plan, the first year of which is this fiscal year. Please see page 20 of the material.

The plan period is three years, from the fiscal year ending February 2022 to the fiscal year ending February 2024.

The first basic policy is “Reborn.” Over the next three years, we will “Reborn” the Shimamura Group to restore its original brilliance and lay the foundation for future growth.

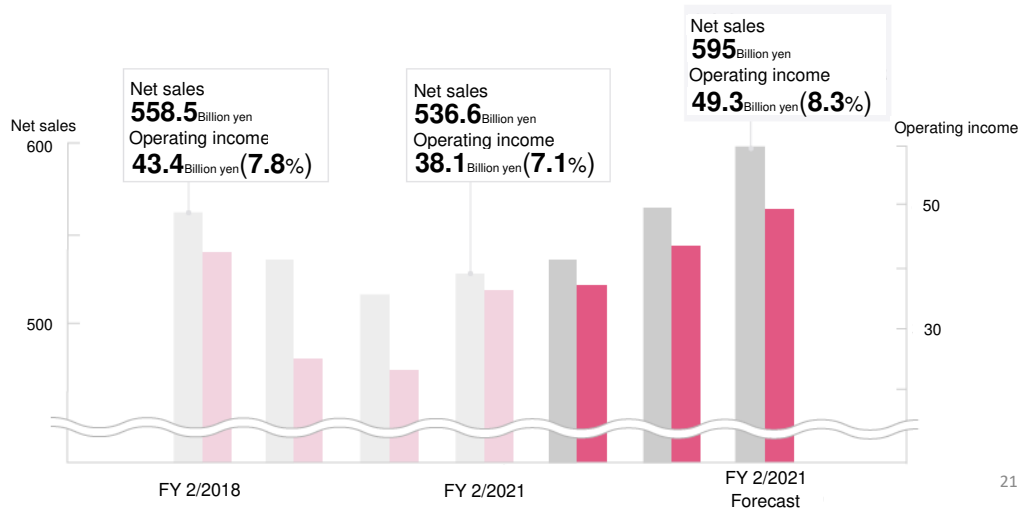
In addition, we have set a long-term management mission to “building a good company” for our employees, customers, business partners, shareholders, and society.

We will also work on ESG issues through our core business to create value for all stakeholders, aiming to realize a sustainable society and increase our corporate value.

## Medium-term Management Plan 2023: Numerical Target **しまむらグループ**

### Numerical targets for FY2023 \*Figures in parentheses represent FY2020 results

Domestic net sales	Domestic operating income	Domestic operating margin	Number of stores
<b>595</b> Billion yen (536.6 Billion yen)	<b>49.3</b> Billion yen (38.1 Billion yen)	<b>8.3%</b> (7.1%)	<b>100</b> stores total over 3-year period



Next, on page 21, numerical targets.

For the fiscal year ending February 2024, we are targeting domestic sales of JPY595 billion, operating income of JPY49.3 billion, and an operating margin of 8.3%, aiming for record-high profits.

In addition, we are targeting consolidated sales of JPY600 billion, including the sales of the Simengle business in Taiwan.

We also aim to open 100 stores in three years to further expand our business.

## Medium-term Management Plan 2023: Business Policy ① **しまむらグループ**

As a new initiative, we will maximize synergy between the EC business and approximately 2,200 brick-and-mortar stores nationwide by developing online stores for all businesses. Additionally, we will renew business at our shoe specialty store "Divalo" in order to lay the foundation for growth into a next-generation core business.

In our existing businesses, we will strengthen the foundation of chain management by enhancing product appeal and sales power, and by promoting DX. Furthermore, in order to respond to diversified customer and store characteristics, we will strengthen support for individual stores in the form of sales promotion, displays, etc.

### Expansion and Strengthening of Shimamura Online Store

#### Expansion to all businesses

- Each business is developing product lineups and services by taking advantage of their respective strengths, and expanding the scale of EC business at a rapid pace. (Target EC ratio of 2% for fiscal year ending February 2024)
- We are greatly improving the convenience for our customers by constructing a system for one-stop shopping of products from all businesses on our Group online site and making it possible for customers to pick up products at approximately 2,200 stores nationwide.

#### Strengthen logistics functions

- Based on a policy of increasing the efficiency and capacity of our own EC centers, we are expanding the amount of EC handled at a rapid pace while also utilizing logistics contractors.



### Restart the Divalo Business for Shoe Specialty Stores

- Redefine the business as shoes & fashion mainly for women
- Achieve profitability in terms of operating income by renovating/closing existing stores and opening new stores (by fiscal year ending February 2026)

22

Next, on page 22, I would like to explain our business policies for achieving the numerical targets.

The first new initiative is to expand and strengthen our online store.

The online store, which was launched last fiscal year, will be expanded to all businesses, maximizing the synergy between the EC business and the approximately 2,200 physical stores nationwide. In addition, we will prioritize the expansion of the Birthday business, which has fewer stores than the Shimamura business, because there are many requests from customers for online sales.

We will also strengthen and expand the logistics function of the EC center, as the infrastructure needs to be in line with the expansion of the business scale.

Next, for the Divalo business, we will redefine the business as a product line of shoes and fashion and aim to return the business to profitability in operating income on a standalone basis.



## Medium-term Management Plan 2023: Business Policy ② **しまむらグループ**

### Product Policy

#### Strengthen the product brand appeal

- Expand the product lineup and price range
- Improve awareness among customers and understanding among employees
- Improve quality to secure repeat customers

#### Strengthen the supply chain

- Strengthen short-term production system
- Increase the accuracy of inventory management (system collaboration with suppliers)

#### Strengthen individual store support according to regional and store characteristics



### Sales Policy

#### Diversify sales promotion methods

- Expand digital advertising (expand video distribution, engage in sales promotion by segment)
- Strengthen support for individual stores (provide support by region/sales, engage in sales promotion from stores)
- Expand online store services and strengthen sales promotion when picking up products at stores

#### Improve the sales floor layouts

- Refine the new layouts
- Develop sales floors for lifestyle proposal and develop new layouts
- Improve product displays based on proposals from stores (Shima Navi)



23

Next, on page 23, I will explain the existing projects.

In terms of product policy, we will stably provide high-quality, highly sensitive, and low-priced products supported by customers, with product lineups that match the characteristics of each region and store, by strengthening product brand power and the supply chain.

In terms of sales policy, we will maximize the effectiveness of our sales promotion by promoting the diversification of sales promotion methods, especially digital sales promotion. In addition to the continuous improvement of the sales floor layout, we will continue to improve the store's display to make it easier for customers to buy and choose items.

## Medium-term Management Plan 2023: Business Policy ③ **しまむらグループ**

### Optimize Expenses

#### Advertising expenses

- Maximize cost effectiveness by diversifying advertising methods
- Reduce cost and improve work efficiency through in-house operation related to the provision of information on products to customers

#### Personnel costs

- Improve productivity by streamlining work at stores and the head office (DX promotion)

#### Rent payments

- Open new stores and relocate existing stores with an emphasis on profitability
- Continue negotiating rents for unprofitable stores

#### EDP fees

- Continue investments which lead to improved business performance; for example, centralized inventory management and customer management



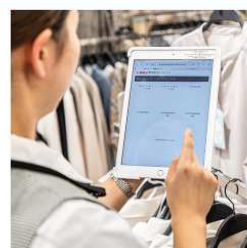
### DX Promotion

#### Improve sales

- Strengthen support for individual stores according to store characteristics by constructing a store profile system
- Introduce a system for making recommendations to customers on online sites and at brick-and-mortar stores

#### Increase business efficiency

- Increase the efficiency of store operations by utilizing mobile devices and smart cash registers
- Increase the efficiency of head office operations by introducing RPA



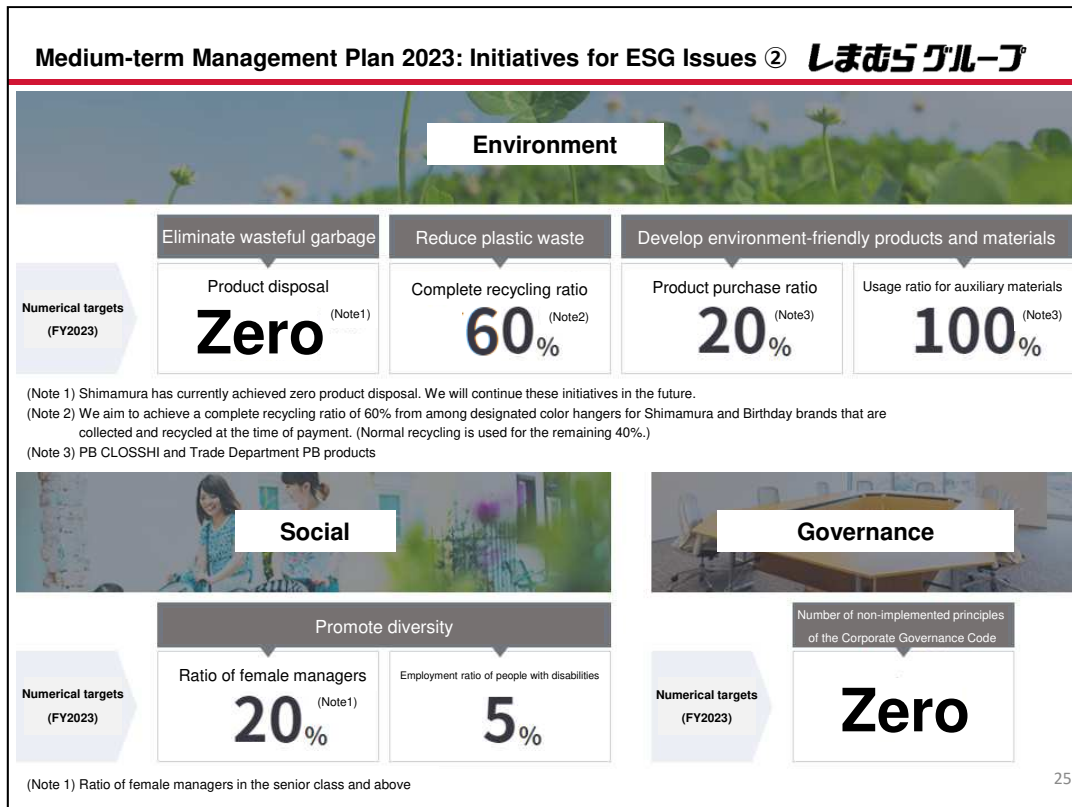
24

Next, page 24, regarding the optimization of expenses, in terms of advertising expenses, we will pursue an optimal balance between digital promotion and paper flyers to maximize cost effectiveness.

In terms of labor costs, we will improve labor productivity by increasing work efficiency through the promotion of DX.

On the other hand, we will actively use EDP expenses for new system projects, such as EC business expansion, inventory management, and customer management.

As for the promotion of DX, the sales field will take the initiative in making improvements that will lead to increased sales and operational efficiency.



Next, on page 25 of the material, I would like to explain our targets for addressing ESG issues.

First, we will continue to achieve zero product disposal for the environment. In recent years, product waste has become a social issue, but we have always sold out all products instead of disposing of them through sales efforts, such as moving products between stores and discounting prices, and we will continue to do so in the future.

In addition, for the reduction of plastic waste, we will further increase the ratio of recycling. We have been recycling hangers and vinyl generated in our stores for a long time, but from 2019, we are starting a complete recycling system in which recycled hangers, which are made from hangers generated in our stores, will be used by us again. In the future, we will increase this ratio to 60% in three years to further reduce plastic waste.

Next, to promote diversity in society, we are targeting a 20% ratio of female managers and a 5% employment rate of people with disabilities. As for female managers, we will address this issue through both employee education and improvement of the personnel system. With regard to the employment of people with disabilities, we currently have 3.4% of our workforce, which is already well above the legally mandated employment rate of 2.3%, but we will continue to work toward even higher goals.

Finally, with regard to governance, we will continue to improve and strengthen our governance system so that we can reduce the number of unimplemented principles of the Corporate Governance Code to zero.

**Medium-term Management Plan 2023: Shareholder Return and Capital Policy** **しまむらグループ**

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**Shareholder returns: Become a company targeted for long-term investment**

In addition to improving business performance, Shimamura will earnestly address ESG issues, and will strive to realize a sustainable society through our main businesses. In order to ensure long-term support from our shareholders and investors, we will return profits through long-term and stable dividends (based on dividend payout ratio of approx. 25% and DOE of approx. 2.0%).

<b>Dividend payout ratio</b>	<b>DOE</b>
<b>25%</b>	<b>2.0%</b>

**Capital policy: Achieve sustainable management by securing stable cash on hand**

While being aware of capital efficiency, Shimamura invests for growth that will lead to future corporate value improvement. At the same time, we will ensure sustainable management by stably securing a sufficient amount of cash on hand, even when facing conditions of temporary turmoil in society and the economy.

<b>ROE</b>
<b>7.0% Or more</b>

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Finally, I would like to explain shareholder return and capital policy on page 26.

We believe that a “good company” for shareholders is one that continues to be a target for investment over the long term, and our basic policy is to return profits through long-term, stable dividends, with a target dividend payout ratio of 25% and a DOE of 2%, so that our shareholders can continue to support us over the long term.

With regard to capital policy, our basic policy is to secure sufficient and stable cash reserves for sustainable management, and on that basis, we will aim for ROE of 7% or higher.

I have explained our medium-term management plan.

For more information, please refer to materials disclosed on our website yesterday, on April 5.

## We have renewed our corporate website

### ① Financial Results (Disclosed on the website)

- ▼ Financial Results Briefing Materials (with comments): April 6 (Tuesday), PM
- ▼ Q&A Sessions at Results Briefing : Around April 10
- ▼ Financial Results Briefing Materials in English (Summary of Financial Results and Financial Results Briefing Materials): Around April 10

### ② Web page update

- ▼ Medium-Term Management Plan: April 5 (Monday)
- ▼ English: Late April
- ▼ Corporate Governance-related Materials: Late May (After the General Meeting of Shareholders)



27

Finally, on page 27, I would like to inform you of the renewal of our website.

Last month, on March 23, we completely renewed the Shimamura Corporate website.

In order to fully convey the outline, thinking, and policies of the Group to shareholders, investors, and analysts, we have substantially renewed our business model, corporate governance system, and ESG initiatives, among others. In addition, the layout is designed to make it easy to find the information you want to know, such as financial results.

While the schedule for future information disclosure is as described, we will continue to update the medium-term management plan, the question-and-answer booklet for the financial results briefing, as well as English materials and the English version of our website as needed, in order to enhance information disclosure to overseas investors, as well.

If you have any comments or questions about our financial results or website, please contact our Planning Section.

**(Cautionary Statement Regarding Forward-Looking Statements, etc.)**

The forward-looking statements, including business forecasts, contained in this document are based on judgments made in accordance with information available at the time of this document's release and are subject to a number of uncertainties.

Actual results may differ from these forecasts due to changes in business conditions and other factors.



This concludes the Financial Results Briefing for the Fiscal Year Ended February 2021, Business Forecast for the Fiscal Year Ending February 2022, and Mid-term Management Plan Presentation of SHIMAMURA Co., Ltd.

Thank you very much for your attention.