

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

Tuesday, April 6, 2021



# Consolidated Results: Income Statement

しまむらグループ

- 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	711.93yen	—	357.15yen	—	125.48yen	—

## 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

## 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

# 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

- Number of customers: The number of customers in the two businesses increased in 4Q due to progress in brand restructuring.
- Number of items purchased: Increased in each business due to bulk buying trends and strengthened proposal capabilities.

(%)

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

# 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



## Strengthening product appeal -Rebranding and responding to changes in consumption trends

### ① 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".

#### ① Rebranding of the PB/JB Fiber series



#### ② Strengthen promotion of "new normal" lifestyles





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

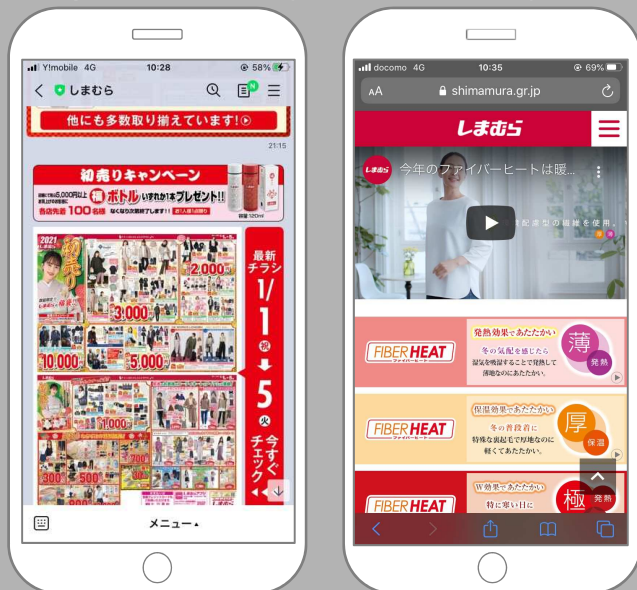
### ① Diversification of sales promotion methods and expansion of digital advertising

- ▼ 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.

#### ① Expansion of digital advertising



#### ② Replacing flyers according to regional and store characteristics



### 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.

#### ① Expand basic wear, interior items and loungewear



#### ② Strengthen coordination proposals





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

- ① Expand product lineup for mainstay JBs. Restructuring of existing JBs. Launched new JB.
  - ▼ JB "tete a tete" expanded to include wear and bedding, and sales increased significantly.
  - ▼ Sales of existing JBs 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.

#### ① Expansion and restructuring of JBs



#### ① Digital promotions of JBs



## 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.

① Launch of EC Center



② EC-limited items



# 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	—	—

## 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



- 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

## **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.

## **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.

## 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

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

### 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”**

**Reborn = Revitalization and Evolution**

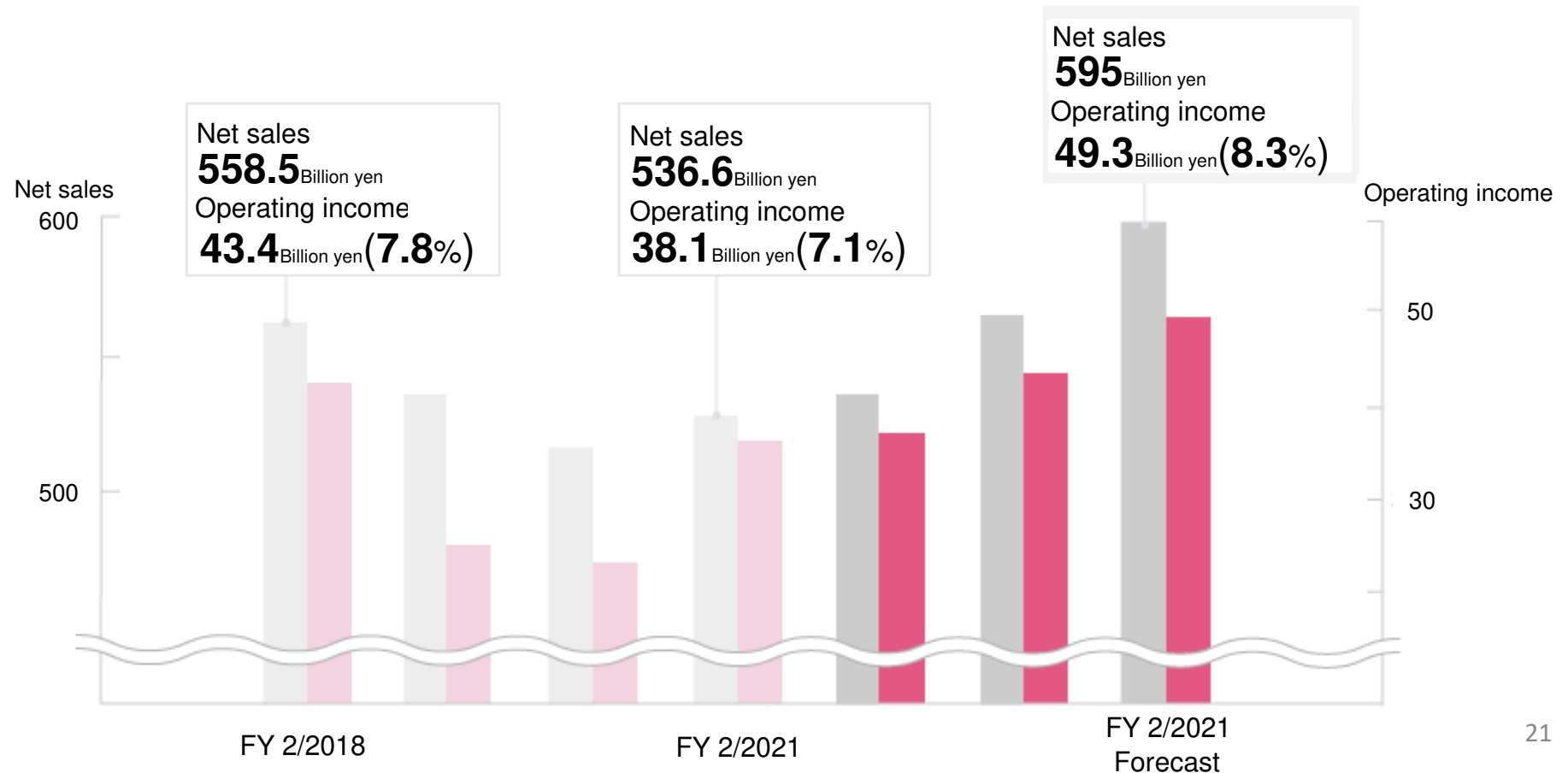




# Medium-term Management Plan 2023: Numerical Target **しまむらグループ**

## 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



## 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)

# 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)



# 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



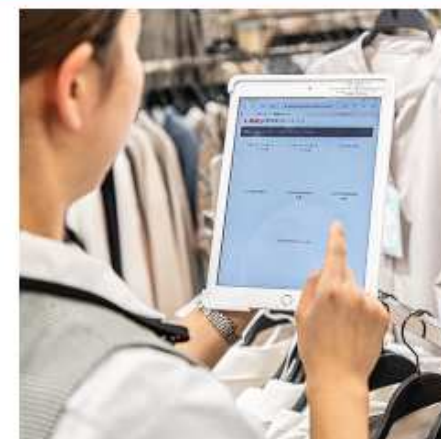
## DX Promotion

### 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



## Medium-term Management Plan 2023: Initiatives for ESG Issues ② **しまむらグループ**

### Environment

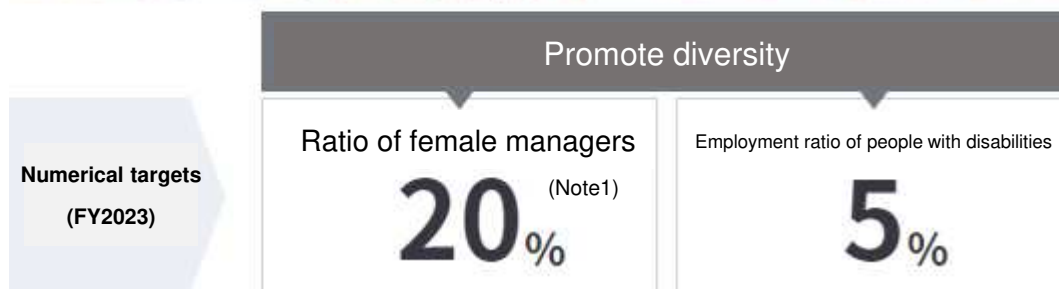


(Note 1) Shimamura has currently achieved zero product disposal. We will continue these initiatives in the future.

(Note 2) We aim to achieve a complete recycling ratio of 60% from among designated color hangers for Shimamura and Birthday brands that are collected and recycled at the time of payment. (Normal recycling is used for the remaining 40%.)

(Note 3) PB CLOSSHI and Trade Department PB products

### Social



(Note 1) Ratio of female managers in the senior class and above

### Governance



### 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%).

Dividend payout ratio

**25%**

DOE

**2.0%**

### 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.

ROE

**7.0% Or more**



## 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)



## **(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.

