



SEASON
REASON
by Lin.&Red

Financial Results for 2Q of FY2/22

Tuesday, September 28, 2021

1st Anniversary

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

Let me begin by explaining the business results for the second quarter of the fiscal year ending February 28, 2022. After that, President Suzuki will explain the progress of key issues and the earnings forecast.

Consolidated Results: Income Statement

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- Sales increased by 11.9% YoY. SG&A ratio was 25.6% (-1.7ppt. YoY)
- Operating income was 253billion yen (8.9%), reaching record-high profit for 1H.

(Million yen/%)

	FY2/22 1H	Ratio to sales	FY2/21 1H	YoY	FY2/20 1H	YoY
Net sales	284,592	100.0	254,253	111.9	264,393	107.6
Gross profit	97,671	34.3	84,993	114.9	88,060	110.9
SG&A	72,870	25.6	69,483	104.9	74,171	98.2
Operating income	25,342	8.9	15,976	158.6	14,355	176.5
Ordinary income	25,835	9.1	16,371	157.8	14,593	177.0
Net income attributable to owners of parent	17,427	6.1	10,525	165.6	9,613	181.3
Net income per share	474.22yen	—	286.41yen	—	261.56yen	—

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Allow me to start with the consolidated business results for the first half of the fiscal year ending February 28, 2022. The actual results for each figure are shown above.

First, in terms of external factors, the extension of the state of emergency declared in response to the spread of novel coronavirus has continued to curtail human movement and economic activities. In addition, due to the self-restraint on summer travel, homecomings, and various events such as the beach openings and fireworks festivals, as well as the lack of government measures to stimulate consumption as in the previous year, personal consumption, especially in service-related areas such as restaurants and lodging, declined significantly, and clothing sales continue to be severely affected.

As for the weather, the rainy season began in mid-May in the Tokai region and westward, more than 3 weeks earlier than last year, and there were more rainy and cloudy days and lower temperatures nationwide. In mid-June, the rainy season began in the Kanto area and northward, and unstable weather continued until early July, with alternating sunny and rainy days in many areas. The rainy season ended in mid-July, 2 weeks earlier than last year, and temperatures soared, but from early August onward, typhoons and autumn rain fronts brought more rain and autumn-like temperatures, resulting in sluggish sales of summer goods.

In response to these external factors, we strengthened our product appeal and sales power, and as a result, we were able to increase both sales and gross profit compared to last year and the year before.

In addition, the SG&A ratio was kept low at 25.6%, resulting in operating income of JPY25.3 billion and net income of JPY17.4 billion, all record highs for the first half of the year in terms of net sales, operating income, and net income.

Sales by Business

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- Domestic sales increased by 12.3% YoY owing to the strengthening of brand power, the advertisement of products based on various themes, and the expansion of digital sales promotions.

*Sales of the EC business are included in the Shimamura Business.

(Million yen/%)

	FY2/22 1H	Ratio to sales	FY2/21 1H	YoY	FY2/20 1H	YoY
Shimamura	215,497	75.7	192,722	111.8	204,124	105.6
Avail	26,515	9.3	23,512	112.8	25,649	103.4
Birthday	33,783	11.9	29,420	114.8	26,593	127.0
Chambre	6,325	2.2	5,618	112.6	4,969	127.3
Divalo	346	0.1	339	102.1	398	87.0
Shimamura (non-consolidated)	282,468	99.2	251,612	112.3	261,734	107.9
Si meng le (Taiwan)	2,123	0.8	2,555	83.1	2,464	86.2
Shi ma la(Shanghai)	—	—	86	—	195	—
Shimamura (consolidated)	284,592	100.0	254,253	111.9	264,393	107.6

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Next, I will explain sales by business segment. The actual results for each figure are shown above.

In the Shimamura business, as part of efforts to strengthen its brand power, Shimamura continued to roll out its self-developed PB (Private Brand) and JB (Joint Development Brand) which is a brand developed jointly with suppliers, to increase sales by linking them to sales floors and sales promotion section.

In addition, the influencer project, which expanded the range of products from women's teens and young people to adult women and large sizes, and the weekly proposal of various projects to entice customers, such as popular character products, also led to increased sales.

In the AVAIL business, the 3 new JB brands launched in the first quarter for ladies' wear were expanded to men's wear, shoes, and fashion accessories in the second quarter, and sales increased as a result of linking sales floors and sales promotions. In addition, sales of character products also increased, mainly in interior division, a newly established division from this fiscal year.

In the Birthday Business, sales increased at the mainstay JB, thanks to the effects of short-term production in the second quarter of additional hot-selling summer products that were introduced, in advance, in early spring. In addition, for autumn and early winter items, for which purchasing was promoted in July, products in collaboration with JB and characters performed well. In terms of practical goods, school children's products, toys, bedding, and interior goods performed well.

In the Chambre Business, sales of tableware, cooking utensils, cosmetics and bathing products that met the demand for home furnishings, and sales were strong for original character products, kitchen, and lunch products.

Sales of Si Meng Le, which is operating in Taiwan, dropped significantly after the rapid spread of novel coronavirus in mid-May, but since late July, the number of cases has been decreasing and sales are on a recovery trend.

Consolidated Results: SG&A Expenses

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- Personnel expenses: Reduced to 12.5% of sales through streamlining of store operations, etc.
- Advertising expenses: Reduced to 35.6% vs. FY2/20 1H through digital sales promotions, etc.

*In 1H of FY2/21, SG&A expenses temporarily declined significantly due to shortening of operating hours and voluntary restraints on sales promotions.

(Million yen/%)

	FY2/22 1H	Ratio to sales	FY2/21 1H	Ratio to sales	YoY	FY2/20 1H	Ratio to sales	YoY
Salary	30,598	10.8	29,155	11.5	104.9	29,358	11.1	104.2
Total personnel expenses	35,703	12.5	34,335	13.5	104.0	34,835	13.2	102.5
Advertising expenses	5,417	1.9	4,344	1.7	124.7	8,414	3.2	64.4
Total selling expenses	8,746	3.1	7,350	2.9	119.0	11,139	4.2	78.5
Supplies expenses	647	0.2	548	0.2	118.0	469	0.2	138.0
Freight costs	733	0.3	925	0.4	79.2	547	0.2	133.9
Total operating expenses	3,682	1.3	3,586	1.4	102.7	3,512	1.3	104.8
Rents	16,409	5.8	16,549	6.5	99.1	16,893	6.4	97.1
Depreciation and amortization	2,962	1.0	2,693	1.1	110.0	2,726	1.0	108.7
Total equipment cost	22,489	7.9	22,182	8.7	101.4	22,739	8.6	98.9
Total general expenses	2,248	0.8	2,029	0.8	110.8	1,944	0.8	115.6
Total SG&A expenses	72,870	25.6	69,483	27.3	104.9	74,171	28.1	98.2

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Next, I will explain the breakdown of consolidated SG&A expenses.

Please note that in the first half of last year, due to the shortened hours of operation and self-restraint in sales promotion due to novel coronavirus Risks, personnel expenses, advertising expenses, and rentals were temporarily out of line, so we will also use figures of the year before last as comparison.

We were able to keep labor costs under control, at 12.5% of sales. This was due to the changes in the sales floor layout implemented in the previous fiscal year and the use of tablet terminals introduced in all stores, which led to standardization of the sales floor and improved work efficiency in the stores.

As a result of optimizing the balance between newspaper inserts and web flyers, while reducing TV commercials to zero and strengthening digital sales promotion such as distribution of video ads, we were able to keep advertising expenses low, down 35.6% from the year before last and 1.9% from sales.

Rentals decreased by 0.9% YoY and were kept lower than in the first half of last year, at 5.8% of sales, mainly due to the closure of unprofitable stores. On the other hand, depreciation and amortization expenses increased due to the addition of depreciation for the new head office and EC logistics center built in the last fiscal year. In addition, general expenses increased due to higher taxes and public dues resulting from higher revenues and profits.

Consolidated Results: Balance Sheets

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- Assets: Merchandise inventory maintained at an appropriate level. Cash and deposits increased.
- Liabilities: Increase in accounts payable due to advance input of autumn and early winter items.

(Million yen/%)

	End-Aug. 2021	Composition ratio	End-Aug. 2020	Composition ratio	YoY
Current assets	281,160	61.8	254,887	59.6	110.3
Noncurrent assets	174,093	38.2	172,889	40.4	100.7
Total assets	455,254	100.0	427,777	100.0	106.4
Current liabilities	48,663	10.7	44,642	10.4	109.0
Noncurrent liabilities	8,972	2.0	8,576	2.0	104.6
Total liabilities	57,636	12.7	53,218	12.4	108.3
Total shareholder's equity	393,643	86.4	368,712	86.2	106.8
Accumulated other comprehensive income	3,974	0.9	5,846	1.4	68.0
Total net assets	397,618	87.3	374,558	87.6	106.2
Total liabilities and net assets	455,254	100.0	427,777	100.0	106.4

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Next, I will explain the breakdown of the consolidated balance sheet.

Current assets increased by 10.3% compared to the end of the previous fiscal year. The main factor was a 3.1% increase in merchandise inventory compared to the end of the same period last year. In terms of the breakdown, summer inventory increased by about 10% compared to last year but was held down by about 40% compared to the year before last. On the other hand, the inventory of autumn goods has increased by about 40% compared to last year, which means that the inventory contents are appropriate to cope with the drop in temperature. The total of cash and cash equivalents, accounts receivable and marketable securities increased by 11.9% compared to the end of the previous fiscal year.

Fixed assets increased by 0.7% compared to the end of the same period last year, mainly due to the new head office and EC logistics center built in the last fiscal year.

Current liabilities increased by 9% compared to the end of the previous fiscal year. This was due to an increase in income taxes payable because of the large increase in profits, and an increase in accounts payable due to an increase in merchandise purchases in August, a result of the advance input of fall and early winter items, mainly in the Birthday business.

Number of Customers, Number of Items Purchased , Unit Price (YoY)							しまむらグループ
➤ 1H Same-store sales (compared to FY2019, due to abnormal values last year.)							
Shimamura: <u>105.3%</u> Avail: <u>104.8%</u> Birthday: <u>119.3%</u>							
*The figures in the table are in comparison to FY2020.							(%)
Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	1Q	133.9	134.0	127.9	100.0	104.8	104.8
	2Q	96.6	96.5	98.3	99.1	98.2	99.1
	1H	111.9	111.8	110.6	99.4	101.1	101.7
Avail	1Q	138.6	138.5	135.7	100.0	102.1	102.1
	2Q	95.7	95.2	98.1	99.6	97.1	97.4
	1H	113.2	112.8	113.5	100.0	99.4	99.4
Birthday	1Q	125.5	127.8	123.5	98.3	103.5	105.3
	2Q	99.5	101.3	101.1	101.4	100.2	98.9
	1H	112.8	114.8	111.9	100.5	102.6	102.1

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Next, I will explain the sales, number of customers, number of items purchased, and sales per customer for existing stores and all stores.

Comparable store sales in the first half of the year were up 5.3% in the Shimamura business, 4.8% in the AVAIL business, and 19.3% in the Birthday business, when compared to the first half of the year before last, since the first half of last year was an outlier due to restrictions on activities caused by the declaration of a state of emergency and subsequent reactionary demand.

Next, I would like to explain the first-half results of the Shimamura business.

The number of customers increased by 10.6% compared to the same period last year. This is because information on various projects such as PB, JB, influencer projects, etc. was disseminated through digital sales promotion to motivate customers to visit the store.

Although the second quarter was down 1.7% from the same period last year, we were able to keep the decline to a lower level than expected, in contrast to last year's significant growth due to the tailwind of external factors such as benefits.

The number of items purchased decreased by 0.6% YoY. Last year, the number of items purchased increased because of the tendency to buy in bulk due to people refraining from going out, but this year, we were able to keep the decrease in the number of items purchased low by strengthening coordination proposals through JB and influencer projects, as well as popular character products, which tended to be bought in bulk.

Unit price per item increased by 1.7% compared to the same period last year. This was due to a recovery in demand for going out and steady sales of going-out clothes, as well as the reduction of limited-time discounts in flyer advertising and the expansion of pro-par pricing. The reason why the unit price per item in the second quarter was lower than last year was because last year's price decline was extremely low due to less inventory of summer products.

Gross profit, Discount, Inventory YoY

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- Gross profit significantly improved through control of price reductions and inventories such as short-term production, early introduction of summer and autumn products, 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	1Q	140.9	33.3	+3.6	81.4	8.7	-5.6	95.7
	2Q	93.5	33.8	-1.1	112.0	6.5	+0.9	100.3
	1H	114.5	33.6	+0.8	92.5	7.6	-1.5	97.9
Avail	1Q	158.9	36.0	+4.6	95.9	20.6	-9.2	92.1
	2Q	91.1	39.0	-1.7	118.6	13.9	+2.7	94.0
	1H	114.5	37.5	+0.6	104.0	17.3	-1.4	93.0
Birthday	1Q	142.9	36.8	+3.9	45.1	2.8	-5.1	91.7
	2Q	101.7	33.4	+0.1	108.3	6.7	+0.4	109.1
	1H	122.6	35.3	+2.2	72.6	4.5	-2.6	99.4

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Next, I will explain the first-half results of the Shimamura business in terms of gross profit, discount, and inventory.

Gross profit increased 14.5% YoY, up 0.8 percentage points from the same period last year. By adding hot-selling products using short-term production, controlling inventory appropriately, and reducing limited-time discounts, we were able to control price reduction and inventory, resulting in significant growth. The reason why the gross profit for the second quarter was lower than last year's was because last year's sales increased significantly due to the government's measures to stimulate consumption.

Discount decreased by 7.5% compared to the same period of the previous fiscal year, and the rate decreased by 1.5 percentage points. This was mainly due to a correct in attracting customers through bargain item and discount sales. In the first half of the year, we significantly reduced the number of limited-time discounts to 11 this year, compared to 81 last year.

Inventory decreased by 2.1% compared to the same period of the previous fiscal year. This was mainly due to the reduction of limited-time discounts and the timely reduction of prices of slow-selling products, which led to the optimization of inventory contents.

In addition, the Birthday business increased its inventory in the second quarter due to increased purchasing of autumn and winter items from the July quarter, but this allowed all store sales in the second quarter to exceed last year's level.

The ratio of short-term production in the first half was 28% for wear as a whole. Among them, the womens teens' category, which accounted for 61% of the total, achieved a significant increase in sales in the first half, up 19.3% from the same period last year. In addition, the ratio of short-term production in the footwear and fashion accessories department was 15% in the first half, up significantly from 7% in the first half of last year. This led to an increase in the purchase of trendy products, and the division's sales in the first half increased by 22.3% compared to the same period last year.

Strengthening product appeal

-Strengthening of brand power, expansion of various projects

(1) Strengthen brand power: Expansion of PB, JB and FIBER series

Overall brand ratio expanded to 28.9%. Launch of new JB "LOGOS DAYS".

(2) Expansion of various projects: Expand development of collaboration with influencers and use of seasonal characters

Collaboration with six influencers who are popular among women in their 30-40s. Expand seasonal characters horizontally to each division.

▼ Expansion of brands



▼ Expansion of collaboration with influencers who are popular among women in their 30-40s



▼ Expansion of brands



I'm Suzuki, the President.

Now, I would like to explain the progress of our priority tasks for this fiscal year.

First, I would like to explain about the enhancement of the Shimamura business's product appeal.

In the area of strengthening brand power, sales of "COTTON FROM USA" T-shirts for women's and men's wear, which were developed under the PB "CLOSSHI" brands, increased as stocking fabric at the factory made it possible to add hot-selling products through short-term production.

In the JB business, the natural taste brand "SEASON REASON", which was launched in September last year and has seen a steady increase in sales, and the new outdoor taste brand "LOGOS DAYS", which was launched in June this year, have been doing well in terms of total development, from wear for women, men and children to fashion accessories, bedding and interior goods. As a result of the total development of these brands, their appeal in flyers and on the sales floor welled to an overall good performance.

The ratio of brand sales (total of PB, JB and FIBER series) to total sales was 28.9% in the first half, up 3.4 percentage points from the same period last year. Among them, JB's sales in the first half of the fiscal year were approximately 2.6 times higher than the first half of last year. In the Women'sTeens department, approximately 50% of sales were comprised of PB and JB.

In the influencer project, we added 2 new influencers to the 4 influencers for women in their 30-40s, for a total of 6, and launched them in flyer advertisements on a weekly basis, with good results. Influencers were also used for women's teens, large size, and children's clothing.

In the area of character products, we developed a wide range of seasonal characters such as "Pokémon" and popular YouTube characters, from wear to miscellaneous goods to interior products, and increased sales by presenting product items of the same characters all at once in flyer advertisements. In addition, the Company has increased sales by advertising the same character product items all at once in flyers.

Strengthening sales power

-Optimization of sales promotion methods, improvement of sales space, and enhancement of regional support

(1) Optimize sales promotion methods: Expand and optimize digital advertising and improve video content

(2) Improve sales floor layout: Increase the number of flat display furniture in the bedding interior and children's items sales floors

(3) Strengthen regional response: Strengthen response to regional stores and urban stores

Expand the number of stores that respond to flier advertisement in regional areas, and expand trendy items in urban areas.

▼ Expanded video advertising (PB)



▼ Improved sales floor layout (introduced flat display furniture)



Increased sales
by making it
easier to select
products

▼ Launched Instagram account "Shima Style"



Increased sales
by making it
easier to select
sizes and
patterns



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Next, I would like to explain how we will strengthen our sales power.

First, let's talk about the optimization of sales promotion methods.

In this fiscal year, we expanded video advertising on SNS and video distribution sites and delivered 17 video ads in the first half. The effectiveness of video advertising was enhanced by changing the media and segments to be distributed according to sales conditions and weather. In addition, a drama-style video was also created to increase the interest of viewers.

As for the use of SNS, "Shima-style", which was launched on Instagram in the first quarter, specializes in the ladies' and teens' category and is steadily increasing its followers. In the second quarter, we also launched "Shimausa TV" on YouTube and started showing videos of PB and JB product introductions filmed in our own studio.

Next, I would like to talk about improving the sales floor layout. The standardization of the sales floor through large-scale layout changes was completed in all stores last fiscal year, and this fiscal year we are working on layout changes to further brush up the ease of buying products. We have been introducing flat display furniture mainly in the bedding and interior goods sections and the baby and children's clothing sections, and the number of items purchased has increased in the stores where they have been introduced.

Lastly, I would like to talk about strengthening regional responses. This fiscal year, we will continue to replace web distribution with newspaper inserts for stores in rural areas where newspaper inserts are highly effective. In addition, this fiscal year, we added stores in the Koshin and Sanin regions to the number of stores implementing the program, bringing the total to approximately 450 stores. In addition, an influencer products for women's teens was launched in the second quarter targeting 50 stores in urban areas, which has led to increased sales at the corresponding stores.

Strengthening product appeal and sales power**-Establishment and total development of the brand****(1) Launch of 3 JB brands: "CHIP CLIP", "SUREVE", "Rag Out"**

▼ 1Q: ladies' wear 2Q: Expand to men's wear, shoes and bags.

▼ Sales were favorable as we strengthened total coordination proposals at sales floors and campaigns.

(2) In the interior items category, which is performing well, we are further expanding the product lineup and sales floor space.**▼JB: Started total coordination in 2Q****▼Expansion of interior items**

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Next, I would like to explain our efforts in the AVAIL business.

To establish the brand, AVAIL officially added the 3 ladies' wear brands, "CHIP CLIP", "SUREVE", and "Rag Out", to JB, and from the second quarter, started offering men's wear, ladies' shoes, and bags. In the second quarter, we also started offering men's wear and women's shoes and bags in a united effort, which resulted in strong sales for each brand.

In the interior and lifestyle goods category, a new division launched this fiscal year, we expanded our product line and sales floor to include bath mats, kitchen mats, and aprons, in addition to character cushions and towels, which led to the acquisition of new customers and increased sales.

Furthermore, in the advertising of JB and character products, a wide range of products from ladies' wear to men's wear and fashion accessories under the same brand and character were launched together in a single flyer advertisement, which was effective in increasing sales. In the future, we will set up a special sales area near the entrance of the store to consolidate the sales of these products, which have been sold in each sales area, on a weekly basis, to further increase sales.

In the second half of the year, we will further expand the development of JB for both ladies and men, and strengthen the development of total coordination, including shoes and fashion accessories. In addition, we will further expand the sales floor of the interior and lifestyle goods department, which is performing well, and optimize the sales floor according to the situation by reducing the size of the underperforming men's shoes department. In terms of advertising, we also plan to increase sales using social networking services, such as product introduction videos by YouTubers and increased advertising postings on Instagram.

Birthday Business

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Strengthening product appeal and sales power

-Expansion of JB's, review of seasonal items, and launch of EC site

- (1) Expansion of existing JB's: Sales of "tete a tete" and "futafuta" increased by expanding product lineups.
Offer a wide range of products including wear, general merchandise, bedding, and school children's products. JB ratio in 1H: 18%
- (2) Review of seasonal items: Introduced autumn and winter items in July. Sales of autumn items in August increased by 64% YoY.
- (3) Launch of online (September 8): The main product lineup is JB's EC-limited items.



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Next, I would like to explain the efforts of the Birthday business.

First, in terms of expansion of existing JB's, we expanded the product lineups of our mainstay JB's, "tete a tete" and "futafuta". Each brand performed well by offering a wide range of products from wear to fashion accessories to bedding, as well as expanding to include school children's products such as lesson bags and shoe cases. In the first half of the fiscal year, the ratio of JB to total sales expanded to 18%, and sales of JB increased significantly, up 36% from the same period last year.

Next, I would like to discuss the review of the development period of seasonal products.

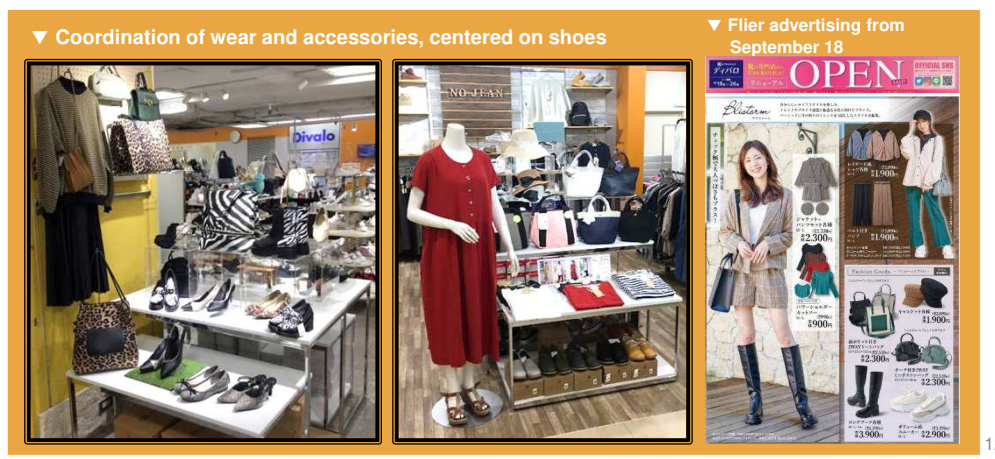
With the smooth rollout of summer products in the first quarter, we began rolling out fall and winter products in the July quarter, and sales of fall products in the August quarter were up 80% from the same period last year. As a result, we were able to significantly reduce the amount of price reduction in the first half of the year by 27% compared to the same period last year. In the second half of the year, we will continue to improve inventory efficiency and price reduction by rolling out seasonal products early, especially JB.

Lastly, I would like to talk about the launch of the online store.

The Birthday Online Store was launched on September 8. The selection is based on JB's major brands such as "futafuta" and "tete a tete", with new products launching every week. In addition, we do not carry products listed in the inserts, but mainly offer products exclusive to the online store, to differentiate ourselves from the physical store.

Restarted the business as shoes and clothes brand

- (1) Newly launched in 2Q at all stores for fashion accessories and at three stores for wear
Create sales space for wear by brand. Coordination of shoes and fashion accessories.
- (2) From 2H, introduced wear items to 9 stores and started flier advertising
- (3) In the business as a whole, sneakers remained strong in 1H, achieving the previous year's same-store sales



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I will now explain the progress made in the first half of the year regarding the main business policies of the medium-term management plan.

First, I would like to talk about the initiatives of the Divalo business.

In the mid-term management plan, the Divalo business has set a goal of restarting its business and is in the process of transforming itself from a shoe specialty store to a shoe and fashion specialty store focusing on women's shoes.

In the current fiscal year, the wear and fashion accessories departments were newly established, and from the second quarter of this fiscal year, the fashion accessories department began operating in all 15 stores and the wear department in 3 stores. In the case of wear, we have created a sales floor for each brand, and sell shoes and accessories that can be coordinate.

In the second half of the fiscal year, we will increase the number of stores handling wear to 9, expand the sales floor for fashion accessories, and start flyer advertising. We will continue to strengthen our product lineup and coordination proposals to increase the ratio of wear and fashion accessories sales per store to around 35% by the end of this fiscal year.

As for the first-half results of the Divalo business as a whole, sales of sneakers were strong, sales of women's and men's sandals were slow due to unseasonable weather and voluntary restraint in traveling and homecomings. On the other hand, sales of women's pumps and men's business shoes recovered, and comparable store sales were able to surpass those of last year and the year before, despite the continuing effects of the voluntary restraint on going out due to COVID-19.

EC Business

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Expansion of product lineup and services. Start of e-commerce for Birthday Business

(1) Expansion of product lineup and services: Expansion of EC-limited items and launch of three new services

- ▼ Influencer projects, character items, and large sized items are hot sellers
- ▼ Over 600,000 members through new services such as online fitting room and AI tag customer service

(2) Started e-commerce for Birthday Business in September. You can pick up items at other brand stores

▼ EC-limited products

Influencer

Large size

Characters

▼ You can pick up at about 2,140 stores in the group

受け取り可能!

※オンラインストアで事前決済したご注文に限ります

▼ "PayPay" can be used with pre-payment

Effect of sending customers to group stores

Effect of combined purchase

Expanded payment options

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Next, I would like to explain our efforts in the EC business.

First, let's talk about the results of the first half. In terms of product lineup, we expanded our online store exclusive products such as influencer collaboration items, character items, and large sized items, each of which became hot sellers. In the first half of the year, the percentage of products exclusive to the online store was about 40% of the total, but in the second half of the year, the percentage will be increased to 65%, which will lead to higher sales. In terms of services, we introduced new services such as online fitting rooms and AI tag customer service.

In the first half of the fiscal year, the percentage of customers who received their orders at physical stores was about 90%, and the percentage of customers purchasing other products when visiting stores to pick up their orders was about 50%, which is also effective in increasing sales at actual stores. The number of members exceeded 600,000 in the first half of the year and is expected to exceed 1 million by the end of this fiscal year.

Next, I would like to talk about the expansion of each business. We opened an online store for our Birthday business on September 8. Also, as a new service, store pickup can now be pre-paid by credit card or PayPay, and if you pre-pay, you can pick up your order at any of the other participating stores. This will increase convenience for customers who have not been able to find a Birthday nearby, and will also lead to mutual customer transfers within the Group.

Sales in the EC business for the first half of the fiscal year were JPY1 billion, slightly lower than expected. In the second half of the year, we will narrow down the initially planned expansion of EC to each business to just the Birthday business, and we will not outsource logistics for the time being but will focus on increasing the logistics capacity of our own EC logistics centers.

As a result, the annual sales plan for the EC business has been revised from the initial plan of JPY5 billion to JPY3.5 billion. This revision will have no impact on our business forecast. The EC business is expected to turn profitable in the next fiscal year.

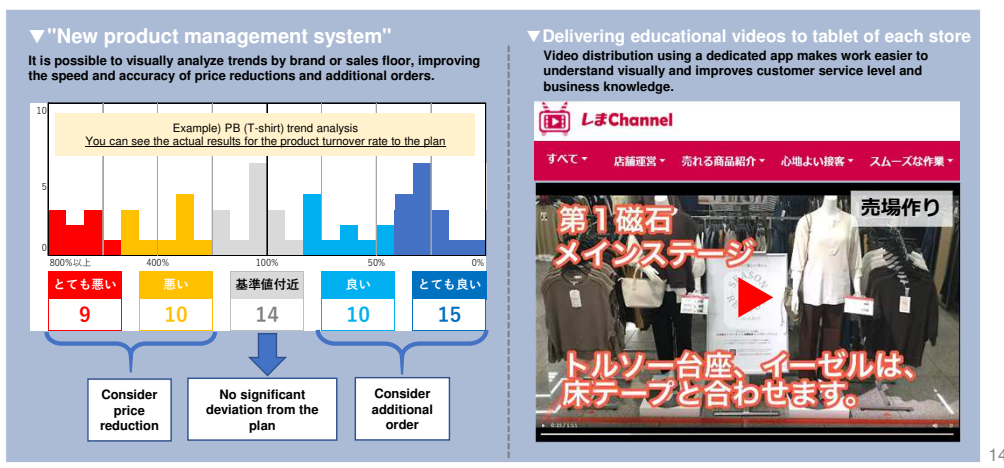
Progress in DX to improve sales and operational efficiency

(1) DX of head office work: Improvement of product analysis level, automation of simple work

The product department introduced a new product management system, and the back office uses RPA.

(2) DX of store operations: Improvement of sales floor management level, smooth communication

Use tablet terminals at stores. "Shima Navi" "Shima Channel" "LINE WORKS"



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Next, let me explain the progress of DX.

First, let's talk about DX of headquarters operations.

For the Merchandise Department, a new product management system was introduced to improve the accuracy of product purchasing and sales floor management. In the past, sales data for each product item was used to analyze sales data, but with the new system, product trends by brand and sales floor can be visually captured, leading to faster and more accurate decisions on additional product orders and price reductions. Suppliers also share information, which has been effective in quickly additional order and improving product planning capabilities.

In addition, we have made progress in automating routine tasks by introducing Robotic Process Automation (RPA) in the accounting department and other back-office areas.

Next, I would like to talk about DX of store operations.

In regard to the use of tablets installed in all stores, we are expanding the software aspect. In "Shima Navi", an application that allows store employees to suggest good ways to create sales floors, QR codes are attached to sales floor plans created by the Merchandise Department at the head office, and when store employees scan them with their tablet devices, they can see images of easy-to-understand procedures for creating sales floors. In addition, the "Shima Channel", a video distribution application, distributed videos of product information and educational videos of store operations, which helped improve the level of customer service and operations at stores.

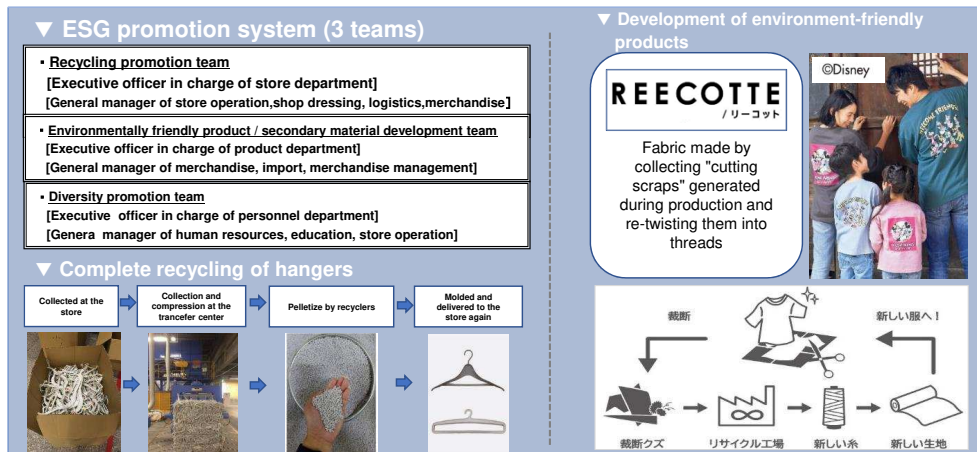
In addition, the use of various communication tools, including the chat application "LINE WORKS", has facilitated smooth communication between stores and between stores and the head office, even though there were restrictions on activities due to COVID-19. In the second half of the year, we will install a second tablet in all stores to further promote DX in store operations.

Our Approaches to ESG Issues (1)

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ESG promotion system and progress (environment)

- (1) ESG promotion system: 3 teams are organized by theme. Hold monthly meetings with directors
- (2) Environmental response: Expand recycling of hangers and develop environment-friendly products
The complete recycling ratio of hangers is now 30%. Reuse cutting scraps.
- (3) Preparations are underway to create a system for building a sustainable supply chain



Next, I would like to explain our ESG initiatives.

First, I would like to talk about our ESG promotion system.

From this fiscal year, 3 teams have been formed for each theme, and monthly meetings are held to discuss progress. Each team is headed by a director or executive officer, with the general manager of the relevant department as a member. The content and results of these efforts are regularly reported to the Board of Directors and the Management Plan Formulation Committee to ensure progress management.

Next is the content and progress of the initiatives.

First, in terms of dealing with the environment, we focused on the recycling aimed reuse of hangers to reduce plastic waste. In the first half of the fiscal year, we developed recycling routes and unified hanger materials within the Group. As a result, the complete recyclable recycling ratio in the first half of the fiscal year was approximately 30%, a significant increase from 13% at the end of last fiscal year.

On the product side, we have been discussing definitions and operational methods to expand the use of environment-friendly products and auxiliary materials and have started selling T-shirts that reuse cutting scraps.

We also promoted the creation of a system to build a sustainable supply chain.

In the past, our employees have directly audited the production plants for PB products, rigorously checking not only the quality of the products but also the working environment of our employees, and we have accumulated this know-how. Therefore, in the second half of the current fiscal year, we will explain our factory audit standards and procedures to our suppliers, and in the first half of the next fiscal year, we plan to renew the Shimamura Supplier CoC (Code of Contact) with all our approximately 600 suppliers, based on the premise that our suppliers will check their factories according to our standards and use only those factories that pass through these actions, we will further improve the quality and working environment throughout the supply chain.

Our Approaches to ESG Issues (2)

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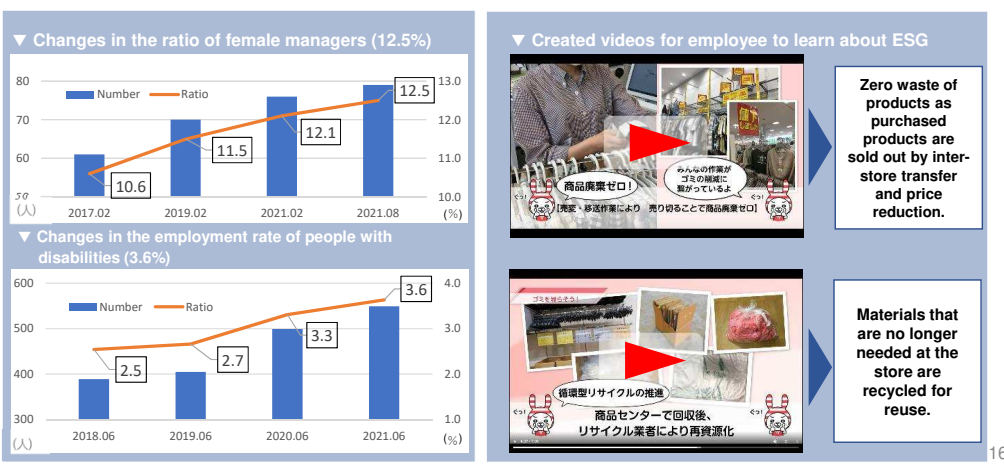
Progress in ESG management (Society and Governance)

(1) Response to society: Increase in the ratio of female managers, increase in the employment rate of people with disabilities

Created a new training curriculum, introduced a re-employment system, and increased the employment rate of people with disabilities to 3.6%.

(2) Governance...Establishing a governance system for the Prime Market.

(3) Created videos for employee to learn about ESG, held tours and study sessions at recycling sites



Next, in terms of our response to society, we have worked to promote diversity.

To increase the ratio of female managers, the Education Department, which was newly established last year, has been working on improving the education curriculum, and the Human Resources Department has been improving the personnel system by introducing a re-employment system for employees who resigned due to childbirth, childcare, etc. The employment rate of people with disabilities reached 3.6% in the first half of the year, far exceeding the legally mandated rate of 2.3%, due to the use of trial employment and other factors.

Next, regarding the response to governance, the Board of Directors have examined the items that have not been implemented in the Corporate Governance Code to comply with each principle. In the revised Corporate Governance Report submitted in May, all principles were observed. The Company's Board of Directors has decided to select the Prime Market for the new market classification and has already filed an application with the TSE. Therefore, more stringent governance will be required in the future, and we will continue to strengthen our governance system so that we can comply with all the principles in the Governance Code, which was revised this year.

In other efforts, we also conducted educational activities for employees to ensure that all employees are involved in the promotion of ESG. For store employees, we created videos on specific examples of recycling and distributed them to stores, and for store managers and block managers, we conducted a tour of the recycling site at the Transfer Center and an ESG study session.

Consolidated Business Forecasts for FY2/22

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- Net sales are expected to increase by 5.1% YoY, and operating income is also expected to increase by 20.1% YoY.
Upwardly revised full-year forecasts; but unchanged the forecasts for October and beyond from the initial plan.
- Annual dividend per share is expected to be 220 yen.

(Million yen/%)

	FY2/22 Forecast	Ratio to sales	FY2/21 Result	Ratio to sales	YoY
Net sales	570,520	100.0	542,608	100.0	105.1
Gross profit	193,539	33.9	184,092	33.9	105.1
SG&A	148,884	26.1	147,018	27.1	101.3
Operating income	45,684	8.0	38,026	7.0	120.1
Ordinary income	46,647	8.2	39,404	7.3	118.4
Net income attributable to owners of parent	31,239	5.5	26,163	4.8	119.4
Net income per share	850.04yen	—	711.93yen	—	—
Dividend per share	220yen	—	220yen	—	—

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I will now explain our business forecast for the fiscal year ending February 28, 2022.

We have decided to revise our full-year forecast upward because the first-half results exceeded the plan and released a notice on the revision of the forecast yesterday, September 27.

We have revised our full-year forecasts, assuming that the actual figures for the first half of the fiscal year and the fiscal year ending September 30 will remain unchanged, and that the figures for the fiscal year ending October 31 and thereafter will be in line with the initial plan. The annual dividend per share is expected to be JPY220, the same amount as the previous fiscal year.

Consolidated Business Forecasts for FY2/22

<Sales plan>

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- Full-year plan: Revised upward thanks to the higher-than-expected 1H performance, but unchanged the forecasts for October and beyond.
- 2H of last year: Experienced tailwind from stay-at-home demand and government measures to stimulate consumption.
- 2H forecast: Domestic consumption and overseas production will be unstable due to the spread of infection.

(%)

YoY (All stores)	1H Plan	1H Result	1H Changes	2H Plan	Full-year plan
Shimamura	108.3	111.8	+3.5	98.1	104.5
Avail	107.0	112.8	+5.8	100.4	106.3
Birthday	103.1	114.8	+11.7	104.7	109.4
Chambre	108.5	112.6	+4.1	105.7	109.0
Divalo	91.8	102.1	+10.3	88.3	95.3
Shimamura (non-consolidated)	107.6	112.3	+4.7	99.3	105.4

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Next, I will explain the breakdown of the sales plan in the earnings forecast. The first half results and second half plan for each business are shown above.

The plan for the second half of the fiscal year has not been changed from the initial plan for October and beyond. In the second half of last year, each of our businesses saw a large increase in sales due to the tailwind of stay-at-home demand and the government's measures to stimulate consumption.

In addition, it will take a considerable amount of time for the pandemic situation to improve and for economic activities to normalize, and clothing consumption is expected to remain shaky for the time being. The supply chain has also been affected, with factories in China and Southeast Asian countries shutting down due to lockdowns in urban areas caused by the spread of the infection.

As a result of these factors, we have decided to leave the second half plan unchanged from the initial plan, as we expect the situation to remain unstable for the time being, both in terms of securing sales and procuring products, and we will have to be cautious in our sales activities in the second half.

Consolidated Business Forecasts for FY2/22

<Store openings/closing plan>

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- Compared to the initial plan, new store openings: +3, closings: +1, net increase: +2
- Accelerate store openings of Birthday and Chambre businesses, which show strong sales.
- Improve profitability of Shimamura and Avail businesses by reallocating stores.

Store opening/closing plan (annual)	Opening	Changes	Closing	Changes
Shimamura	4	- 1	10	+3
Avail	4	+1	5	+2
Birthday	13	+ 3	0	- 4
Chambre	7	-	0	-
Divalo	0	-	1	-
Shimamura (non-consolidated)	28	+3	16	+1
Si meng le (Taiwan)	0	-	3	-
Shimamura (consolidated)	28	+3	19	+ 1

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Lastly, we will explain the store opening plan. The breakdown of each business is as follows.

The number of stores opened increased by 3 and the number of stores closed increased by 1 compared to the initial plan. With this revision, we expect to open 28 stores and close 19 stores for the year, for a net increase of 9 stores.

In terms of store openings, we will accelerate the opening of stores in the Birthday and Chambre businesses, which are enjoying strong sales. Regarding store closures, we will continue to improve profitability by reallocating stores in the Shimamura and AVAIL businesses.

(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.



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This concludes our explanation of Shimamura Corporation's business results for the first half of the fiscal year ending February 28, 2022 and full-year business forecasts. Thank you very much for your attention.