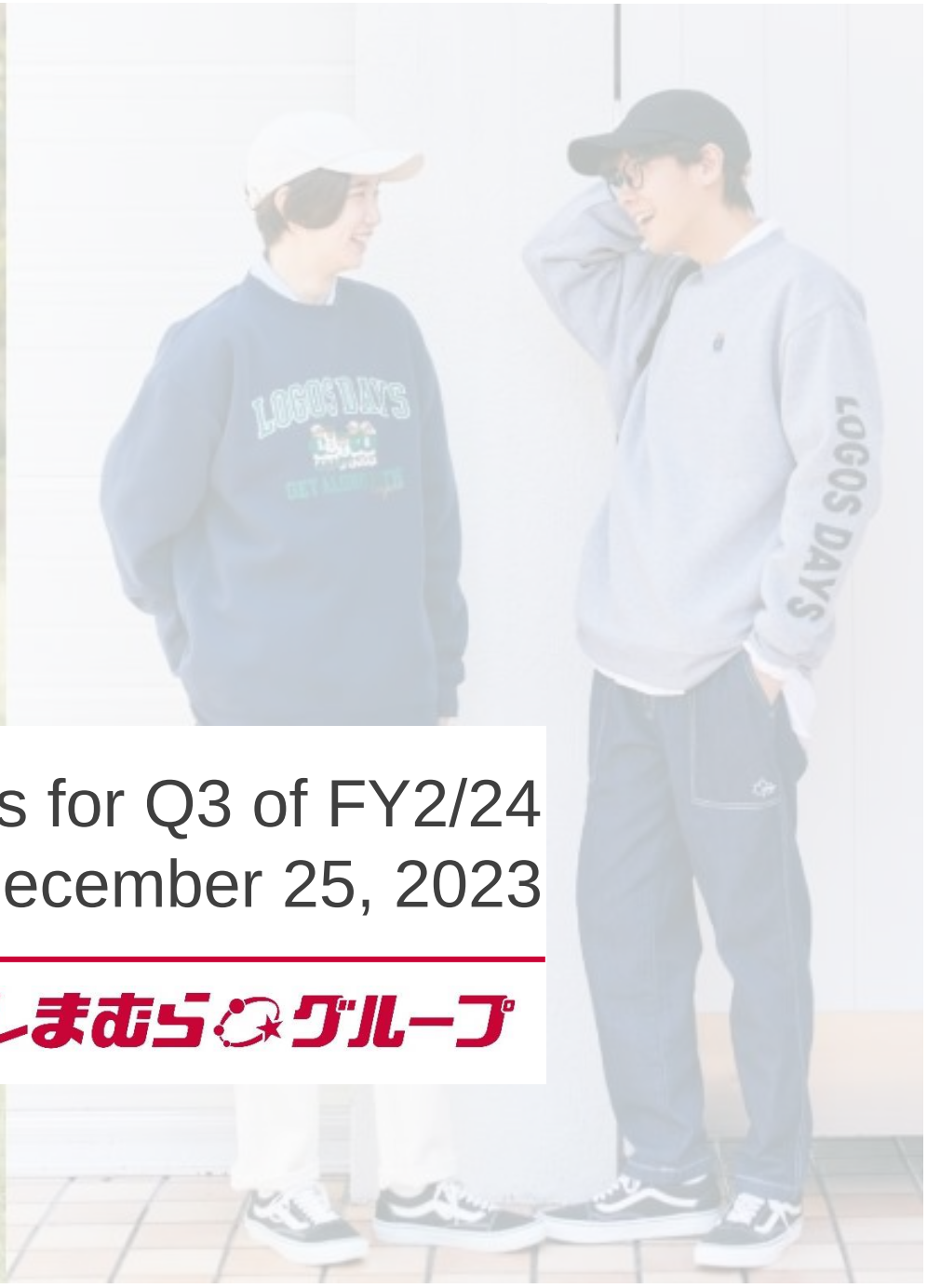

Financial Results for Q3 of FY2/24
December 25, 2023

しまむらグループ

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Summary

*Figures in parentheses indicate year-on-year change (pt).

Brief Summary

・Both sales and profits increased despite the lingering summer heat and warm winter weather, through strengthening product and sales capabilities.

・Despite the inflationary environment, gross profit and SG&A expenses were generally in line with plans.

・Price reductions and inventories are generally in line with forecasts. Q3-end inventory (consolidated): 100.8% of the previous year's Q3.

Consolidated figures (total)

Net sales	Gross profit	SG&A	Operating income	Net income
479.6 billion yen (+3.4)	166.6 billion yen (+4.3)	122.1 billion yen (+5.0)	45.6 billion yen (+2.5)	33.0 billion yen (+4.3)

Store Openings/Closures

Opened: 26 stores, Closed: 22 stores, No. of stores at period-end: 2,217 stores

*Achieved the annual plan ahead of schedule.

EC Sales : 5.2 billion yen (+79.6)

Business forecasts, etc.

・Forecast for FY2/24: Consolidated sales: 635 billion yen (+3.1), Operating income: 54.5 billion yen (+2.4)

→ There is no change in the business forecasts. We will also respond appropriately to external risks such as a warm winter in Q4.

・A stock split was resolved at the Board of Directors meeting today. Effective date: 2/21/2024.

→Improve stock liquidity by reducing investment units. Expand the shareholder benefit program.

Consolidated Results: Income Statement

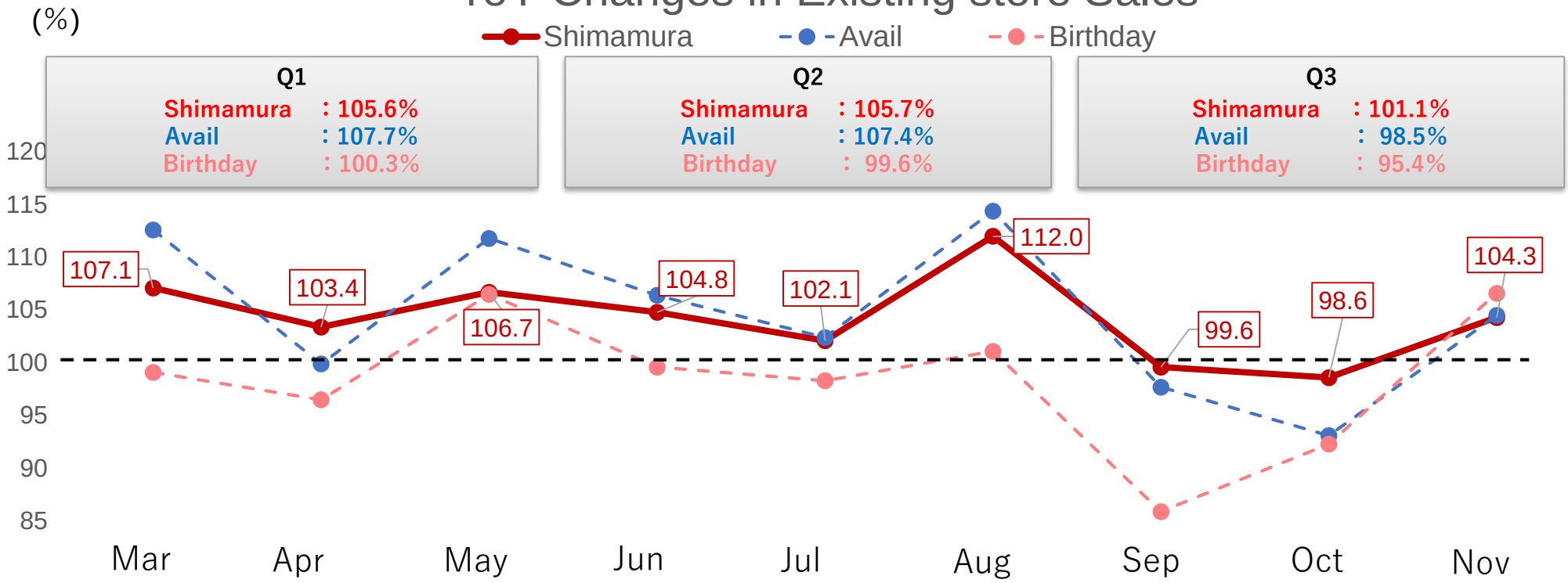
▽ Net sales: Net sales: 479.6 billion yen (up 3.4% YoY). Record high for cumulative Q3.
▽ SG&A ratio: 25.5 % (+0.4pt YoY). It was generally in line with the plan through effective cost control in Q3.
▽ Operating income: 45.6 billion yen (up 2.5% YoY). All profits reached record highs for cumulative Q3.

(Million yen/%)

	FY2/24 Q3	Ratio to sales	YoY	FY2/23 Q3	Ratio to sales	YoY
Net sales	479,660	100.0	103.4	463,903	100.0	106.2
Gross profit	166,685	34.8	104.3	159,800	34.4	106.6
SG&A	122,103	25.5	105.0	116,308	25.1	103.9
Operating income	45,649	9.5	102.5	44,547	9.6	114.9
Ordinary income	46,790	9.8	102.8	45,527	9.8	114.6
Net income attributable to owners of parent	33,077	6.9	104.3	31,711	6.8	117.8
Net income per share	900.04 yen	–	–	862.86 yen	–	–

Changes in Existing store Sales and External Factors

YoY Changes in Existing store Sales



Q1
Shimamura : 105.6%
Avail : 107.7%
Birthday : 100.3%

Q2
Shimamura : 105.7%
Avail : 107.4%
Birthday : 99.6%

Q3
Shimamura : 101.1%
Avail : 98.5%
Birthday : 95.4%

Q1 Overview (Mar-May)

[External factors]

・The legal status of COVID-19 was downgraded to "class 5" under the Infectious Diseases Law. Domestic travel in the Golden Week holidays recovered to the pre-COVID level.

・Consumer prices, particularly for food, continue to rise.

[Weather]

The climate with significant temperature fluctuations poses challenges for adaptation

・Mar: Temperatures increased. Recorded summer temperatures in western Japan as well.

・Apr: The weather alternates between sunny and rainy days. Temperatures decreased.

・May: Temperatures increased on weekdays. Cloudy or rainy weekends.

Q2 Overview (Jun-Aug)

[External factors]

・Population increased in summer with no action restriction for the first time in 3 years.

・Real wages remain negative at high prices. Real GDP personal consumption was -0.5% in April-May.

[Weather]

Extremely hot weather since July was a tailwind for summer product sales

・Jun：Cloudy and rainy weather continues nationwide due to rainy season and typhoons.

・Jul：The rainy season ends in many parts of Japan. Temperatures soar.

.・Aug：Continued heat wave throughout Japan. Typhoon x2 in western Japan.

Q3 Overview (Sep-Nov)

[External factors]

・Unseasonably high temperatures led to sluggish apparel consumption.

・Real wages continue to be negative. Yen depreciation also progressed. Real GDP personal consumption was -0.2% inJuly - September.

[Weather]

High temperatures continued until early November and sales of winter goods were sluggish.

・Sep： The severe summer heat continues nationwide.

・Oct： Summer heat remained in early October. The temperatures have risen again in the latter part of the month.

・Nov：Summer days in Kanto in early November. Temperatures dropped in mid-March.

Sales by Business

▽ Domestic sales increased 3.2% YoY due to further enhancement of brand power, product lineup expansion, diversification of sales promotion methods, and enhancement of regional response.

▽ Sales of Si meng le (Taiwan) performed well, up 19.6% YoY, thanks to the expansion of PB and JB products and the use of digital sales promotions.

(Million yen/%)

Business	FY2/24 Q3	Composition ratio	YoY	FY2/23 Q3	Composition ratio	YoY
Shimamura	359,586	75.0	103.8	346,456	74.7	105.1
Avail	47,169	9.8	103.8	45,461	9.8	112.5
Birthday	55,809	11.6	99.7	56,004	12.1	105.6
Chambre	10,935	2.3	101.4	10,781	2.3	113.1
Divalo	623	0.1	109.1	571	0.1	116.0
Shimamura (non-consolidated)	474,124	98.8	103.2	459,276	99.0	106.1
Si meng le (Taiwan)	5,535	1.2	119.6	4,627	1.0	120.8
Shimamura (consolidated)	479,660	100.0	103.4	463,903	100.0	106.2

Consolidated Results: SG&A Expenses

▽ Personnel expenses: Up 7.0% YoY due to wage increases in spring. Large effect on eliminating labor shortages and lowering the turnover rate.

▽ Advertising expenses: Aggressive sales promotions, such as the 70th anniversary sale and TGC exhibitions, also kept down to 1.8% of sales.

▽ Supplies expenses: Utility costs rose 2.0% YoY, below expectations, due to lower usage, despite continued price increases.

(Million yen/%)

	FY2/24 Q3	Ratio to sales	YoY	FY2/23 Q3	Ratio to sales	YoY
Salary	52,177	10.9	106.7	48,910	10.5	105.2
Total personnel expenses	61,472	12.8	107.0	57,433	12.4	105.7
Advertising expenses	8,706	1.8	101.2	8,604	1.9	98.8
Total selling expenses	14,619	3.0	103.5	14,131	3.0	102.7
Supplies expenses/Display fixtures expenses	1,698	0.4	104.6	1,624	0.4	96.1
EDP expenses	1,832	0.4	131.8	1,390	0.3	133.4
Total operating expenses	7,171	1.5	112.8	6,358	1.4	101.6
Rents	24,515	5.1	99.9	24,535	5.3	99.7
Depreciation and amortization	4,415	0.9	99.9	4,416	1.0	99.6
Total equipment cost	35,207	7.4	101.1	34,840	7.5	102.2
Total general expenses	3,632	0.8	102.4	3,545	0.8	102.4
Total SG&A expenses	122,103	25.5	105.0	116,308	25.1	103.9

Consolidated Results: Balance Sheets

▽ Assets: Cash + Accounts receivable + investment securities up 4.4% YoY　Merchandise increased 0.8% from the end of the same period last year.

▽ Liabilities: Accounts payable-trade and accrued income taxes decreased.

(Million yen/%)

	End-Nov. 2023	Composition ratio	YoY	End-Nov. 2022	Composition ratio
Current assets	353,858	65.2	102.7	344,442	66.8
Noncurrent assets	188,734	34.8	110.1	171,482	33.2
Total assets	542,593	100.0	105.2	515,925	100.0
Current liabilities	68,173	12.6	94.0	72,507	14.0
Noncurrent liabilities	10,338	1.9	105.9	9,764	1.9
Total liabilities	78,511	14.5	95.4	82,272	15.9
Total shareholder's equity	459,600	84.7	106.9	430,129	83.4
Accumulated other comprehensive income	4,481	0.8	127.2	3,523	0.7
Total net assets	464,081	85.5	107.0	433,652	84.1
Total liabilities and net assets	542,593	100.0	105.2	515,925	100.0

Sales,Number of customers,Spending per customer YoY

▽ Existing store sales at Shimamura are steady: Attract customers by launching product lineups and plans that are less susceptible to temperature.
▽ Customer numbers in Q3 declined in all businesses: the number of customers declined from the previous year due to a slowdown in winter items caused by the unusually lingering summer heat and warm winter.
▽ Unit price per item rose in Q3: The main factors behind this were the shift to a new price range and the expansion of high-price range PB and JB products.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	H1	105.7	105.4	100.1	97.2	105.3	108.4
	Q3	101.1	100.8	97.1	97.4	103.9	106.7
	Q3 total	104.1	103.8	99.0	97.2	104.8	107.9
Avail	H1	107.5	106.9	101.2	97.7	105.6	108.3
	Q3	98.5	97.9	94.1	97.2	104.0	107.0
	Q3 total	104.4	103.8	98.8	97.7	105.0	107.7
Birthday	H1	100.0	101.1	95.9	94.8	105.4	111.1
	Q3	95.4	97.0	94.3	96.9	102.9	106.3
	Q3 total	98.4	99.7	95.4	95.5	104.4	109.4

Gross profit, Price reduction, Inventory YoY

▽ Gross profit: In Shimamura and Avail, the markup rate improved and the gross margin improved due to the transition to a new price range.

▽ Price reduction: In each business, appropriate inventory control and utilization of short-term production were generally in line with the plan.

▽ Inventory: In each business, the increase in inventory is due to the increase in the unit price per item. Inventory volume declined from the previous year.

(%,pt)

Business	Period	Gross profit			Price reduction			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	H1	106.1	33.7	+0.2	113.3	6.4	+0.5	104.4
	Q3	103.2	34.5	+1.1	99.3	6.3	−0.1	103.6
	Q3 total	105.4	34.0	+0.5	108.1	6.4	+0.3	104.1
Avail	H1	106.3	38.5	−0.2	104.8	13.8	−0.3	109.4
	Q3	99.2	39.5	+0.5	91.2	12.7	−0.1	102.7
	Q3 total	103.8	38.8	±0.0	100.1	13.5	−0.5	107.0
Birthday	H1	98.3	34.0	−1.0	136.9	5.3	+1.4	110.7
	Q3	96.8	35.6	−0.1	102.3	3.1	+0.2	104.2
	Q3 total	97.7	34.6	−0.7	126.8	4.5	+0.9	108.3

Shimamura Business ①

Strengthening product appeal

▽ Further enhancement of PB: PB ratio was 22.0%, sales for cumulative Q3 were 10.6% YoY. Sales of "PREMIUM" about 1.4 times.
Rebranding of "FIBER HEAT": Expanded product lineup to practical items and wears. Sales of "SUPER" Series were favorable.

▽ Further enhancement of JB: Increased JB ratio by 9.0%, and sales for cumulative Q3 increased by 8.7%. Total coordination project was good.

■Expand product lineup of "FIBER HEAT"

■PB expands high-price range items

"Easy care, clean knitwear"

"FIBER HEAT
WARM SUPER PREMIUM"

■For JB, Total coordination project was good.

Shimamura Business ②

Strengthening sales power

▽ The Company's 70th anniversary campaign: Featuring various promotions, has significantly boosted customer attraction. Special prices are very effective under inflation.

▽ Various fairs and event exhibitions: Techniques for creating sales that are less susceptible to temperature and climate enhanced.

▽ Strengthening of digital promotions and regional and Individual store response: 18 web commercials in Q3. Response for urban areas was well received.

■Collaborative projects were favorable for the Company's 70th anniversary

■Enhanced project not affected by temperatures

© Exhibition at the Mynavi TOKYO GIRLS COLLECTION 2023 A/W

“Fashion Goods Fair”

■Increased web commercials as digital advertisement

■Further strengthening regional and individual store response

Urban-limited influencer project

Avail Business

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Strengthening sales power and product appeal

▽ Strengthening trend proposals centered on JB: JB ratio was 43.6%, and sales for cumulative Q3 increased by 19.0% YoY.

▽ Strengthening line-robbing and planning capabilities: Favorable sales of products for teens, small-size products, and products for couples and friends.

▽ Strengthening regional and individual store response: Urban store limited influencer project and Okinawa limited response are performing well.

■Trend proposals by JB (Y2K fashion, Korean trends)

"SUREVE"×Y2K fashion

"CHIP CLIP" x Korean trend

■Strengthening line-robbing and planning capabilities

Projects for teens

Matching clothes for couples

■Strengthening regional and Individual store response

Urban store limited influencer project

Birthday Business

Strengthening sales power and product appeal

▽ Expanded product lineup in JB and PB: JB ratio was 27.4%, and sales for cumulative Q3 increased by 3.5% YoY. PB sales are about 1.5 times.

JB: Character collaboration, fan meeting projects, high-price range products, PB: Sustainable materials

▽ Expansion of digital sales promotion: Diversification of sales promotion media such as live commerce in social media. EC sales increased by about 2.0 times.

■JB: Expanding collaborative projects ■PB: Expanding sustainable materials

■Use live commerce via social media

JB “futafuta” × Disney

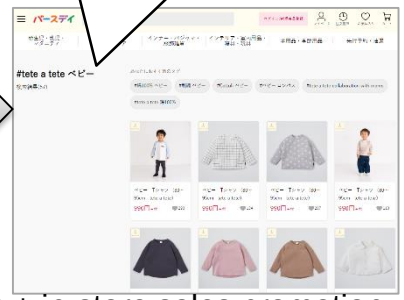
JB "Cottoli": High-priced products

JB “tete a tete”

PB “BIRTHDAY PLUS”

EC sales-linked Instagram live

Started online sales immediately after the Instagram live.



Instagram postings + in-store sales promotion + start sales

EC Business

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Expand EC business and improve convenience

▽ Cumulative Q3 sales: 5.2 billion yen. Annual budget achieved. Capacity problems were also mitigated by direct delivery from suppliers to the transfer center.

▽ Strong effect for physical stores: 90% of in-store pickup rate and 40% of impulse buying rate. Continued to send customers to each other's stores and EC sites.

▽ Initiatives for Q4: Diversification of payment methods ("d payment", deferred payment) and start of cross-border EC (ASEAN, Taiwan, etc.).

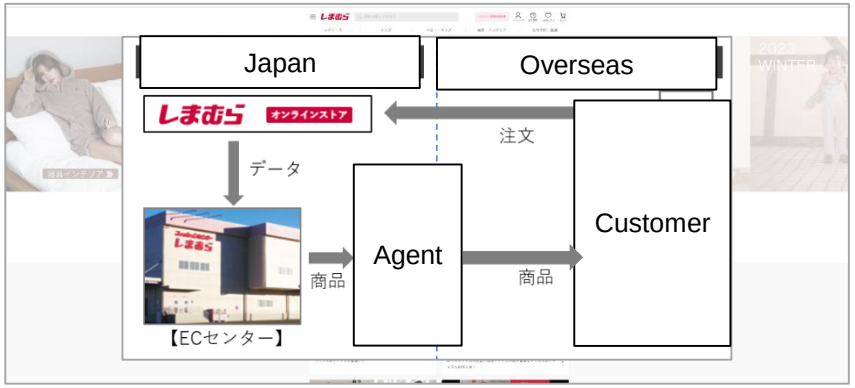
■ Strong sales due to 3rd anniversary projects, order sales, limited EC products, etc.

Shimamura "EC 3rd Anniversary Project" Expanding best-selling products in e-commerce to stores; "Expansion of made-to-order production of hot-selling products"; "Size Robbing"

Avail: Resale best-selling products at EC stores

Birthday: Complement product lineup with EC

■ Start cross-border EC (Q4). Study new store locations



Promotion of DX

Utilize customer data and improve customer convenience

▽ Achieved 5 million app members: Optimize product mix and sales promotions based on customer purchase data.

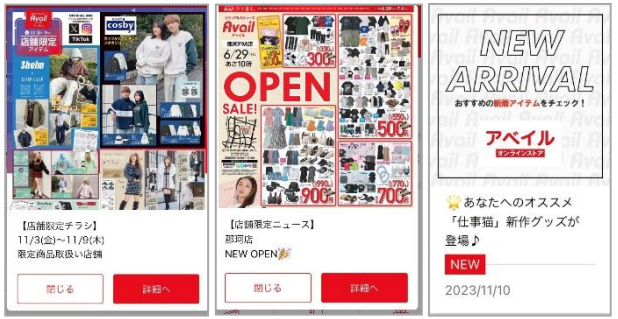
▽ Improve convenience of the app: Currently, it is limited to an inventory search function that scans price tags with a smartphone.

Q4: Inventory search is enabled by entering the product number (can also be done at home). The app also makes it possible to order products.

■Started analysis of purchase data for app members

Analysis of customer data

Sales promotion by segment



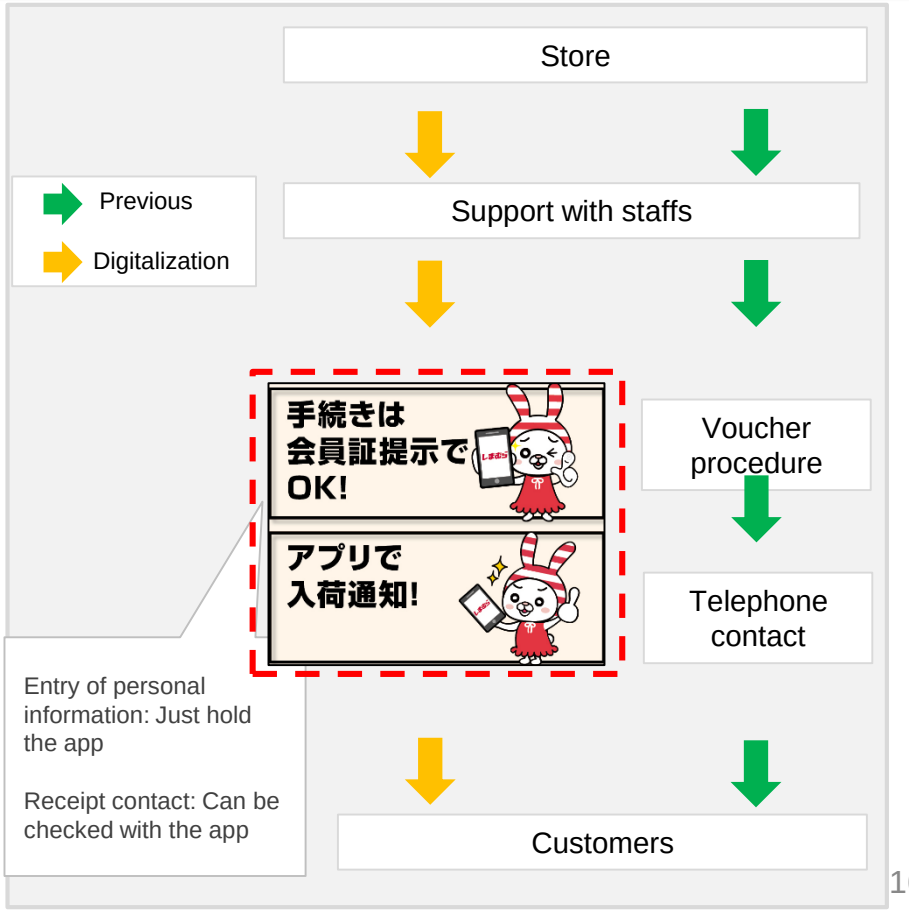
■Search inventory at home (Q4)

Inventory, color and size search

■Expansion of cashless cash registers

Introduced according to settlement status

■Ordering products will be possible via app (Q4)



Capital Expenditures (Store Openings)

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Promote the development of highly profitable stores *FM：Abbreviation for Fashion Mall

▽ Restructuring of dominant store openings (Komatsu City, Ishikawa Prefecture and surrounding areas)

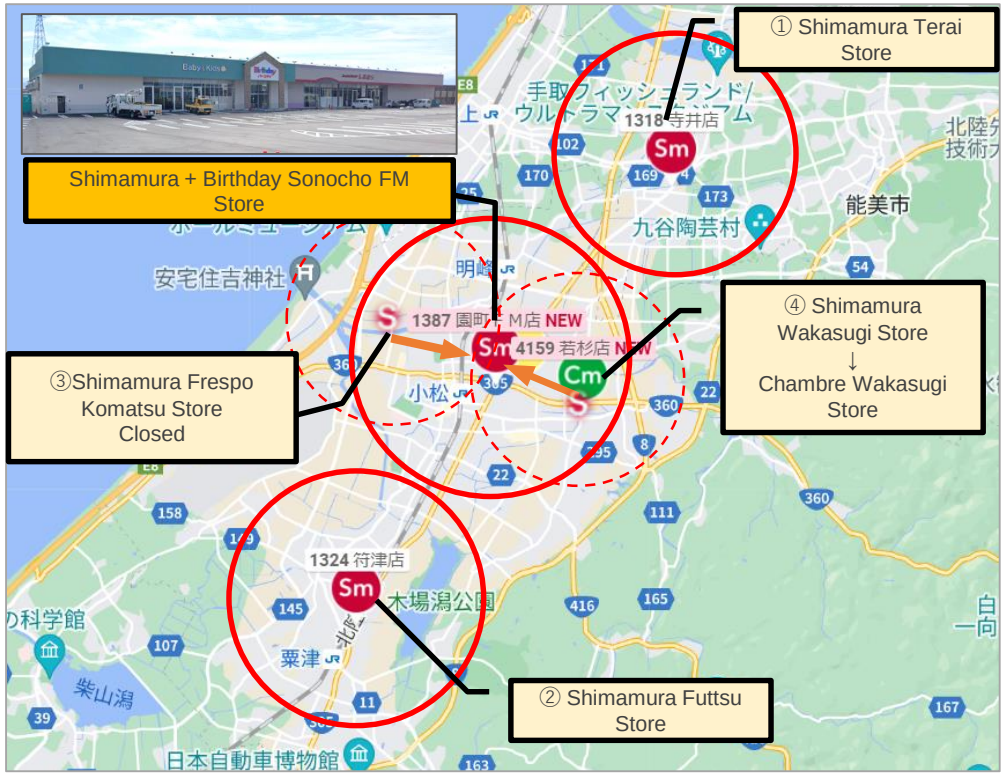
4 existing Shimamura stores ⇒ Existing stores: 2 + Relocation: 1 + format change to Chambre.

→Shimamura will be consolidated into 3 stores, with the opening of 5 new stores in Birthday and Chambre in the region.

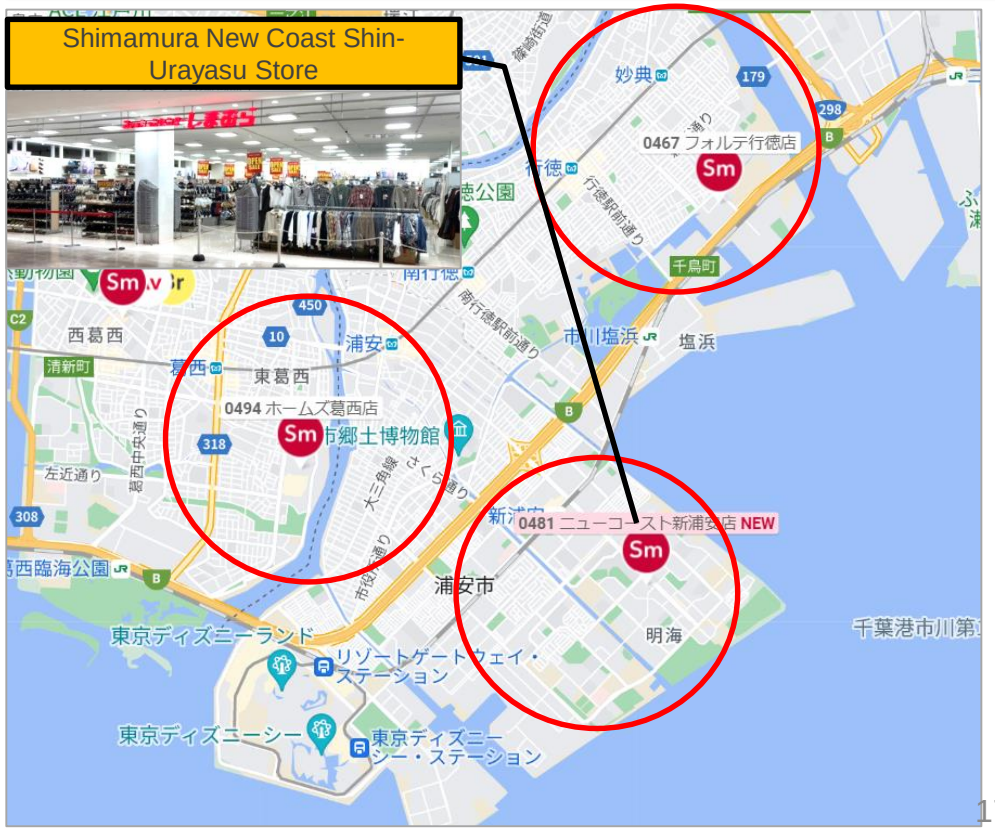
▽ Strengthen store openings in urban areas: Shimamura New Coast Shin-Urayasu. Strong sales after opening

■■Shimamura Sonomachi FM Store (Ishikawa)

Multi-business development in line with Shimamura business relocation



■Shimamura New Coast Shin-Urayasu Store (Chiba)



Capital Expenditures (Renovations)

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Improve store loyalty by remodeling existing stores

▽ Major renovations: [Outside of the store] External walls, signage, parking lots. [In-store] Walls, lights, and air conditioners.

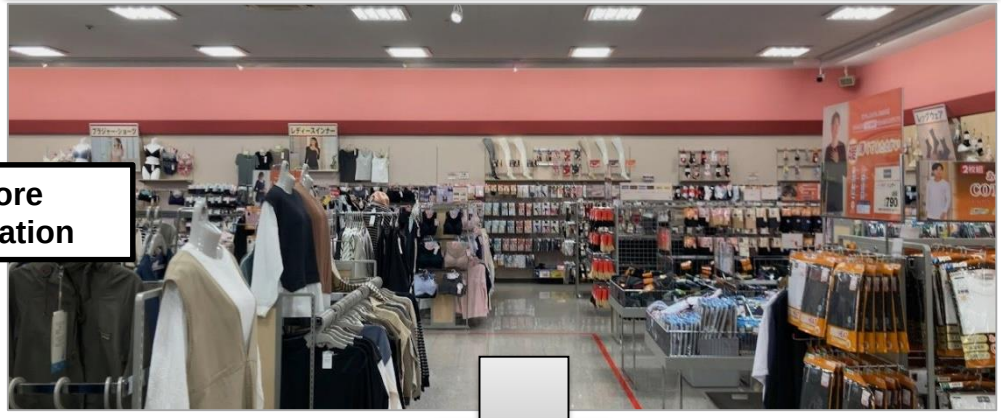
Sales from renovation: “Shimamura Kosugi Store”: Sales up 11.9% YoY. “Shimamura Tarui Store”: Up 7.0%

▽ Policy for the next fiscal year and beyond: Significantly expanding the number of renovated stores. Increase same-store sales by improving store loyalty.

■Renovation of stores outside the store: Response to aging deterioration

■Renovation of store interiors... Interior changes, equipment replacement

Before renovation



After renovation

Consolidated Business Forecasts for FY2/24

▽ Net sales: 635 billion yen (up 3.1% YoY), Operating income: 54.5 billion yen (up 2.4% YoY)
▽ Dividend per share: Annual dividend is expected to be 270 yen (up 10 yen).
▽ We will also appropriately respond to anticipated external risks and aim to achieve our sales and profit targets in the fiscal year.

*No change from earnings announcement on April 3 (Million yen/%)

	FY2/24 Forecast	YoY	Ratio to sales	FY2/23 Result	Ratio to sales
Net sales	635,088	103.1	100.0	616,125	100.0
Gross profit	217,900	103.8	34.3	209,996	34.1
SG&A	164,776	104.2	25.9	158,088	25.6
Operating income	54,571	102.4	8.6	53,302	8.7
Ordinary income	55,522	102.1	8.7	54,383	8.8
Net income attributable to owners of parent	39,522	103.9	6.2	38,021	6.2
Net income per share	1,075.41 yen	–	–	1,034.57 yen	–
Dividend per share	270 yen	–	–	260 yen	–

▽ Purpose of the stock split

By lowering the amount per investment unit, we aim to create a more investment-friendly environment, improve the liquidity of the shares, and expand its investor base.

▽ Outline of stock split

① Splits of division
one share will be split into two shares.

② Schedule

- Record date publication date: Monday, 2/5/2024
- Record date: Tuesday, 2/20/2024
- Effective date: Wednesday, 2/21/2024

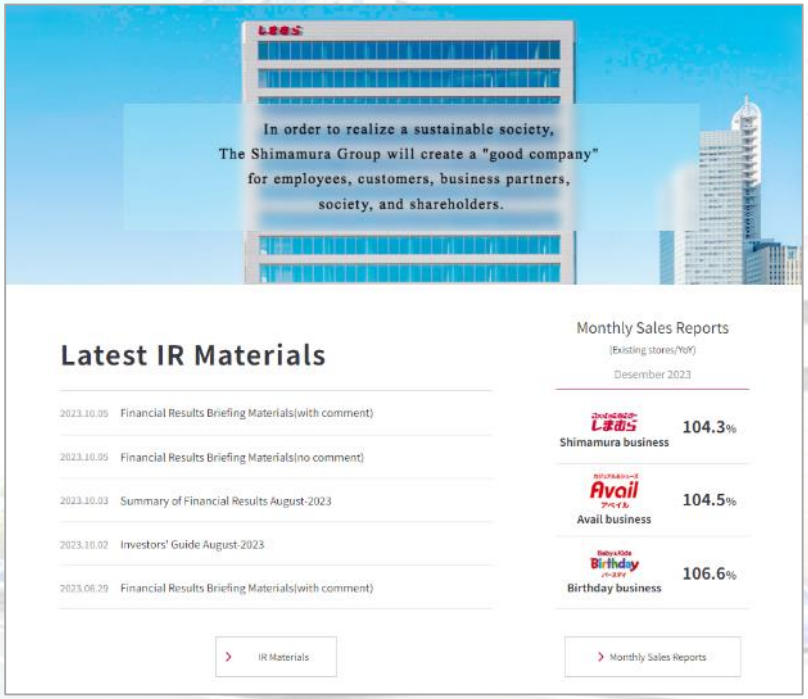
▽ Shareholder benefit plan (expansion)

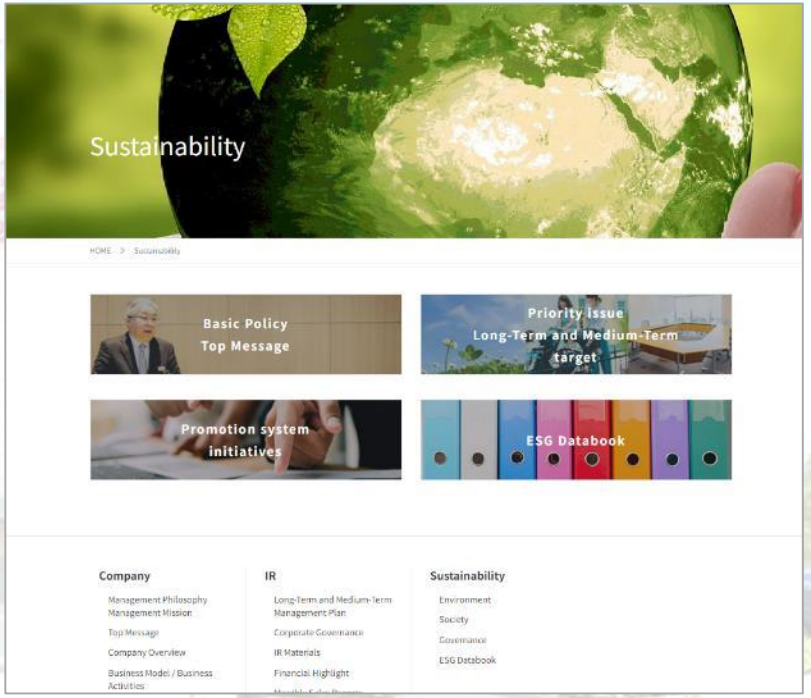
By maintaining the current shareholder benefits program even after the stock split, we effectively enhance the shareholder benefits program.

Information Disclosure

Financial Results Materials (Disclosed on the corporate website)

▽ Financial Results Briefing Materials (with comments): December 25 (Monday)
▽ Summary of Financial Results (English version): December 26 (Tuesday)
▽ Financial Results (Summary of Question and Answer Session): December 27 (Wednesday)
▽ Financial Results Briefing (English version): December 28 (Thursday)





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.

おかげさまで

しまむらグループ

70th ANNIVERSARY