しまむらグループ

Financial Results for 2Q of FY2/22

Tuesday, September 28, 2021

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	–

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

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

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

- 1H Same-store sales（compared to FY2019, due to abnormal values last year）

  Shimamura: 105.3%　Avail: 104.8%　Birthday: 119.3%

*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

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

Shimamura Business ①

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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

Shimamura Business ②

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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)

▼Launched Instagram account "Shima Style"

▼Improved sales floor layout (introduced flat display furniture)

Increased sales by making it easier to select products

Increased sales by making it easier to select sizes and patterns

Avail Business

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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

Birthday Business

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Strengthening product appeal and sales power

-Expansion of JBs, review of seasonal items, and launch of EC site

(1) Expansion of existing JBs: 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.

▼ Expansion of existing JBs: "tete a tete" and "futafuta"

▼ Start of online store (Sep. 8)

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

▼ Coordination of wear and accessories, centered on shoes

▼ Flier advertising from September 18

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

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

Effect of sending customers to group stores

Effect of combined purchase

▼"PayPay" can be used with pre-payment

PayPay

Expanded payment options

Promotion of DX

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Progress in DX to improve sales and operational efficiency

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

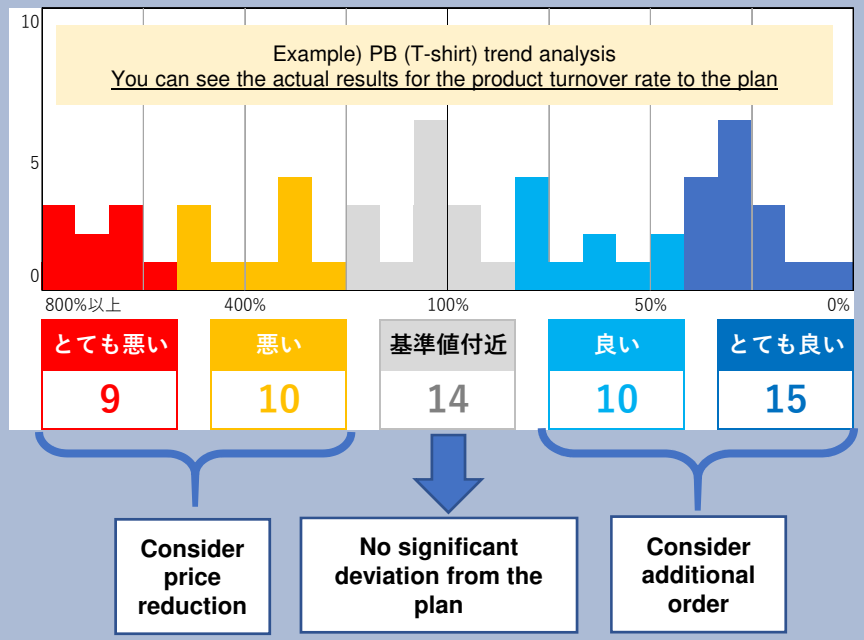
The product department introduced a new product management system, and the back office uses RPA.

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

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

▼"New product management system"

It is possible to visually analyze trends by brand or sales floor, improving the speed and accuracy of price reductions and additional orders.



▼Delivering educational videos to tablet of each store

Video distribution using a dedicated app makes work easier to understand visually and improves customer service level and business knowledge.

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

▼ ESG promotion system (3 teams)

- **Recycling promotion team**
  [Executive officer in charge of store department]
  [General manager of store operation,shop dressing, logistics,merchandise]
- **Environmentally friendly product / secondary material development team**
  [Executive officer in charge of product department]
  [General manager of merchandise, import, merchandise management]
- **Diversity promotion team**
  [Executive officer in charge of personnel department]
  [Genera manager of human resources, education, store operation]

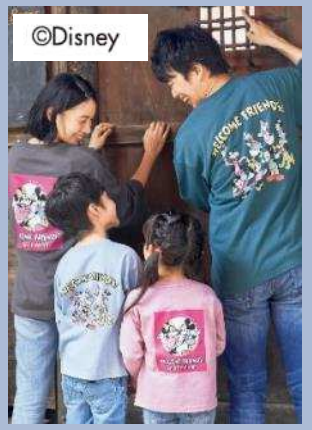
▼ Complete recycling of hangers

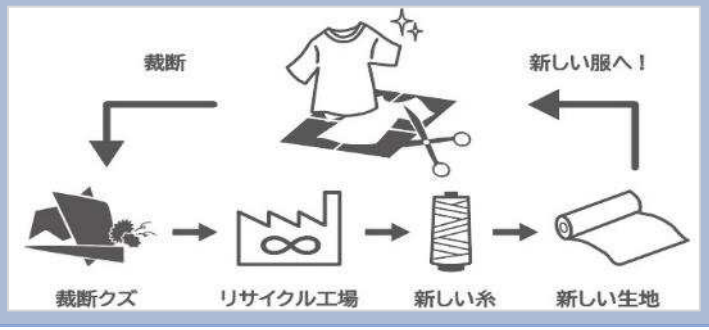
Collected at the store → Collection and compression at the trancefer center → Pelletize by recyclers → Molded and delivered to the store again

▼ Development of environment-friendly products

REECOTTE / リーコット

Fabric made by collecting "cutting scraps" generated during production and re-twisting them into threads





Our Approaches to ESG Issues (2)

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Progress in ESG management (Society and Governance)

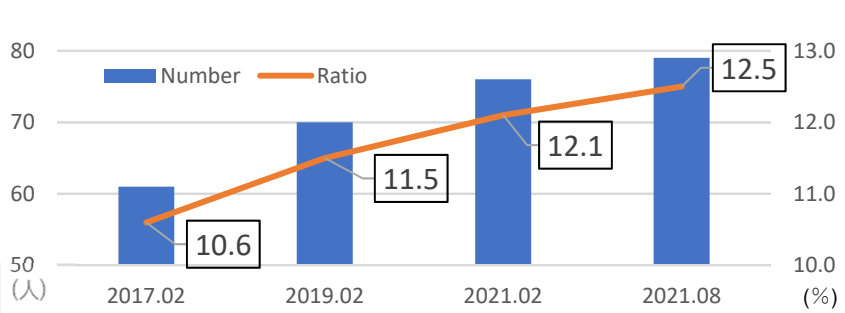
(1) Response to society: Increase in the ratio of female managers, increase in the employment rate of people with disabilities

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

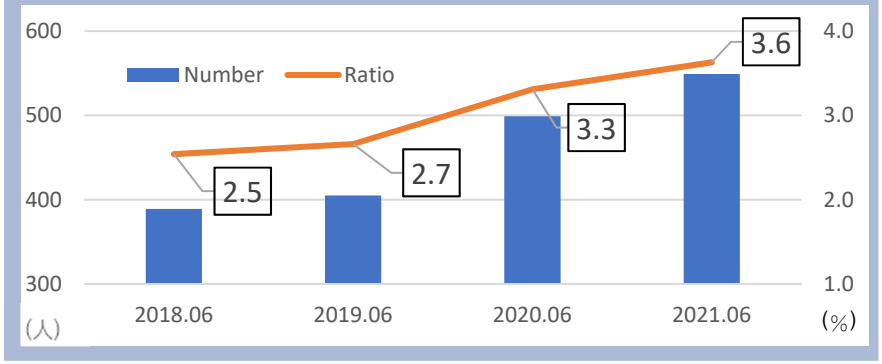
(2) Governance...Establishing a governance system for the Prime Market.

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

▼ Changes in the ratio of female managers (12.5%)



▼ Changes in the employment rate of people with disabilities (3.6%)



▼ Created videos for employee to learn about ESG

Zero waste of products as purchased products are sold out by inter-store transfer and price reduction.

Materials that are no longer needed at the store are recycled for reuse.

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	–	–

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

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

(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.