

Financial Results for 3Q of FY2/22

Monday, December 27, 2021



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

First, I will begin by explaining the results for the third quarter of the fiscal year ending February 2022. After that, President Suzuki will explain the progress of the key issues and the earnings forecast.

In order to deepen your understanding of the product development and sales corners creation of each business, we will be showing you brand positioning maps and photos of the sales floors during the presentation. Please see them altogether.

Consolidated Results: Income Statement

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- Sales increased by 8.0% YoY. Record-high sales for Q3 alone and for the nine months period.
- SG&A ratio was 25.6% (-1.0ppt. YoY). Record-high net income for the nine months period.

(Million yen/%)

	FY2/22 Q3	Ratio to sales	FY2/21 Q3	YoY	FY2/20 Q3	Yo2Y
Net sales	436,817	100.0	404,453	108.0	394,318	110.8
Gross profit	149,870	34.3	137,961	108.6	130,275	115.0
SG&A	111,911	25.6	107,517	104.1	112,024	99.9
Operating income	38,785	8.9	31,161	124.5	18,947	204.7
Ordinary income	39,729	9.1	31,968	124.3	19,467	204.1
Net income attributable to owners of parent	26,926	6.2	21,551	124.9	12,643	213.0
Net income per share	732.70yen	—	586.44yen	—	344.01yen	—

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I would like to explain the consolidated financial results for the third quarter of the fiscal year ending February 2022. The figures for the actual results are as shown here.

First, in terms of external factors, the recovery of consumer spending was delayed until September due to the continued declaration of a state of emergency, but since October, the number of people infected with novel coronavirus has decreased, which has led to an increase in crowds in urban areas, and customers are gradually returning to restaurants, lodging, and other service-related businesses. On the other hand, although there has been a recovery trend in clothing sales, we can hardly say that they have returned to the levels of the year before last. The change in lifestyle under novel coronavirus is still affecting and even becoming entrenched in consumer behavior.

As for the weather, from the beginning to the middle of September, the temperature was as low as October in many areas, and sales of autumn products increased. From late September to mid-October, it turned into a lingering summer heat, with day on which the temperature exceeds 30 degrees Centigrade recorded in the Kansai region and westward, returning to summer temperatures. After that, temperatures dropped toward the end of October, and autumn deepened in the Kanto region and westward, resulting in strong sales of early winter products.

Temperatures rose again in early October, but from October and mid-November onward, sales of winter products grew as the morning and evening temperatures became colder nationwide.

In response to these external factors, we pushed forward with strengthening our product appeal and sales power, and as a result, we were able to increase both net sales and gross profit compared to last year and the year before, with net sales reaching a record high for the third quarter and cumulative third quarter. Net income also reached a record high for the first three quarters of the fiscal year.

Sales by Business

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- Domestic sales increased by 8.1% YoY owing to the strengthening of brand power, launch of products based on various themes, and the expansion of digital sales promotions.

*Sales of the EC business are included in the Shimamura Business and Birthday Business. (Million yen/%)

	FY2/22 Q3	Compositi on ratio	FY2/21 Q3	YoY	FY2/20 Q3	Yo2Y
Shimamura	329,489	75.4	306,958	107.3	303,843	108.4
Avail	40,413	9.3	36,976	109.3	37,481	107.8
Birthday	53,058	12.1	47,473	111.8	41,086	129.1
Chambre	9,533	2.2	8,514	112.0	7,222	132.0
Divalo	492	0.1	514	95.8	567	86.8
Shimamura (non- consolidated)	432,988	99.1	400,436	108.1	390,200	111.0
Si meng le (Taiwan)	3,829	0.9	3,858	99.3	3,862	99.2
Shi ma la (Shanghai)	—	—	158	—	255	—
Shimamura (consolidated)	436,817	100.0	404,453	108.0	394,318	110.8

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I will explain net sales by business segment. The figures for the actual results are as shown here.

The Shimamura business increased sales by expanding the development of Private Brand (PB), a self-developed brand, and Joint Development Brand (JB), a brand developed jointly with suppliers, in order to strengthen its brand power, and by linking them with sales floor and sales promotion. In addition, we expanded the range of trendy products, influencer projects, and character products in our product lineup, strengthened our coordination proposals, and featured them in our weekly flyers, which led to an increase in the number of purchases.

In the Avail business, sales of trendy products such as knitwear, skirts, and boots were strong in the ladies' category, especially JB, while in the men's category, sales of JB and character products, which we expanded our handling of, were strong. In interior goods, where the sales floor was expanded, sales of cushions and other products increased, mainly character products.

In the Birthday business, sales of autumn and winter products were strong due to the advance rollout of seasonal products and the re-introduction of hot-selling products with additional production in a short period of time. Among them, sales of the mainstay JB products, “tete a tete” and “futafuta”, increased due to an expanded product lineup and the development of products in collaboration with various characters.

In the Chambre business, sales of wear and fashion accessories increased, especially JB, while cosmetics, bathing products, and kitchen/lunch products were also strong, especially JB and character products, due to continued stay-at-home demand.

The Shimamura business in Taiwan saw a recovery in sales due to the lowering of the novel coronavirus infection alert level, the start of government measures to stimulate consumption, and the expansion of the handling of Japanese PB and JB products as a way to strengthen product capabilities.

Consolidated Results: SG&A Expenses

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- Personnel expenses: Reduced to 12.4% to sales through the reduction of store work, etc.
- Advertising expenses: Reduced to 28.6% Yo2Y through digital sales advertising, etc.

*In FY2/21, SG&A expenses temporarily decreased significantly due to shortened operating hours and self-restraint in sales promotion.

(Million yen/%)

	FY2/22 Full-year	Ratio to sales	FY2/21 Full-year	Ratio to sales	YoY	FY2/20 Full-year	Ratio to sales	Yo2Y
Salary	46,506	10.6	44,545	11.0	104.4	44,371	11.3	104.8
Total personnel expenses	54,322	12.4	52,330	12.9	103.8	52,498	13.3	103.5
Advertising expenses	8,712	2.0	7,876	1.9	110.6	12,200	3.1	71.4
Total selling expenses	13,766	3.2	12,575	3.1	109.5	16,375	4.2	84.1
Supplies expenses	1,005	0.2	888	0.2	113.1	739	0.2	135.9
Freight costs	1,701	0.4	1,799	0.4	94.6	1,318	0.3	129.1
Total operating expenses	6,256	1.4	5,953	1.5	105.1	5,921	1.5	105.7
Rents	24,612	5.6	24,921	6.2	98.8	25,372	6.4	97.0
Depreciation and amortization	4,434	1.0	4,074	1.0	108.9	4,118	1.0	107.7
Total equipment cost	34,104	7.8	33,502	8.3	101.8	34,268	8.7	99.5
Total general expenses	3,461	0.8	3,154	0.8	109.7	2,960	0.7	116.9
Total SG&A expenses	111,911	25.6	107,517	26.6	104.1	112,024	28.4	99.9

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

First, we were able to reduce labor costs to 12.4% of sales. This was due to the standardization of the sales floor through changes in the sales floor layout and the use of tablet terminals, as well as the reduction of store workload by the optimization of inventory through the use of short-term production and the leveling of the amount of weekly purchase.

Advertising expenses were kept low at 2% of sales as a result of optimizing the balance between newspaper inserts and web flyers, while reducing TV commercials to zero and further strengthening digital sales promotion such as distribution of video ads.

On the other hand, total selling expenses increased by 9.5% YoY. This was due to an increase in sales commissions as a result of an increase in cashless payments such as credit cards and electronic money.

As a result of our push to close unprofitable stores in the third quarter, we were able to keep rents lower than last year at 5.6% of sales, down 1.2% YoY.

Depreciation and amortization expenses increased due to the addition of depreciation for the new head office and EC center built in the last fiscal year. General expenses increased due to an increase in taxes and public dues resulting from higher sales and profits.

Consolidated Results: Balance Sheets

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- Assets: Cash and deposits increased. Merchandise inventory maintained at an appropriate level.
- Liabilities: Almost the same level as last year, increased by 1.3% compared to the end of the previous fiscal year.

(Million yen/%)

	End-Nov. 2021	Composition ratio	End-Nov. 2020	Composition ratio	YoY
Current assets	308,041	64.0	286,068	62.5	107.7
Noncurrent assets	173,074	36.0	171,566	37.5	100.9
Total assets	481,115	100.0	457,634	100.0	105.1
Current liabilities	69,188	14.4	68,709	15.0	100.7
Noncurrent liabilities	9,244	1.9	8,733	1.9	105.9
Total liabilities	78,433	16.3	77,443	16.9	101.3
Total shareholder's equity	399,098	83.0	376,008	82.2	106.1
Accumulated other comprehensive income	3,584	0.7	4,182	0.9	85.7
Total net assets	402,682	83.7	380,190	83.1	105.9
Total liabilities and net assets	481,115	100.0	457,634	100.0	105.1

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I will explain the breakdown of the consolidated balance sheet.

Current assets increased by 7.7% YoY. This is due to the increase of 8.5% YoY in the sum of cash and deposits, accounts receivable and marketable securities. In terms of the breakdown, marketable securities decreased, and cash and deposits increased. This is due to our policy of increasing the weight of cash and deposits as safe assets for the time being, given the uncertain outlook for financial markets.

In addition, merchandise inventory increased by 2.4% YoY. In the mainstay Shimamura business, autumn products inventory was about 20% lower than last year, while winter products inventory was almost the same level as last year. In the third quarter, some delivery delays occurred in the procurement of products, but we were able to maintain appropriate inventory levels through the shift of production countries and detailed delivery adjustments.

Fixed assets increased by 0.9% YoY due to the new headquarters built in the fourth quarter of last year.

Total liabilities increased by 1.3% YoY, almost the same as last year.

- Same-store sales in Q3 exceeded both YoY and Yo2Y results.
- The number of customers and the number of items purchased exceed YoY due to strengthening product appeal and sales power.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	1H	111.9	111.8	110.6	99.4	101.1	101.7
	Q3	100.2	99.8	100.0	102.0	99.8	97.9
	Nine months period	107.5	107.3	106.7	100.3	100.6	100.2
Avail	1H	113.2	112.8	113.5	100.0	99.4	99.4
	Q3	104.2	103.2	104.1	103.3	99.2	96.0
	Nine months period	109.9	109.3	110.1	101.2	99.2	98.1
Birthday	1H	112.8	114.8	111.9	100.5	102.6	102.1
	Q3	103.8	106.8	106.0	102.8	100.7	97.9
	Nine months period	109.4	111.8	109.8	101.3	101.8	100.5

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

Existing store sales in the third quarter were even higher than last year's results, when each business posted significant growth. Also, taking into account that last year was an outlier due to reactionary demand after the declaration of a state of emergency, when compared to 2019, the year before last, Shimamura business grew 14.5%, Avail business grew 19.5%, and Birthday business grew 23.4%.

I will explain the third quarter results of Shimamura business.

While the number of customers in the third quarter increased significantly last year due to external factors such as the government's measures to stimulate consumption, this year, PB, JB, influencer projects, and character products attracted customers and maintained the same high number of customers as last year. In addition, there are signs of a recovery in sales of products for seniors and business-related products, which declined last year due to the refrain from going out caused by the novel coronavirus pandemic, leading to an increase in the number of customers.

The number of items purchased in the third quarter increased by 2% YoY. This was due to the strengthening of coordination proposals through JB and influencer projects, and the addition of character products of wear, knickknacks and interior goods.

Unit price per item in the third quarter decreased by 2.1% YoY. This is a reaction to last year's extremely low summer inventory, which held back price reduction for summer products in the third quarter. The unit price per item of winter products was almost the same level as last year.

Gross profit, Discount, Inventory YoY

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- Gross profit margin for the nine months period improved by controlling price reduction and excess inventory through the short-term production, early introduction of seasonal products, and curbing of limited-time discounts.

(%)

Business	Period	Gross profit			Discount			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	1H	114.5	33.6	+0.8	92.5	7.6	-1.5	97.9
	Q3	96.5	33.2	-1.2	103.4	7.8	+0.3	97.9
	Nine months	107.6	33.5	+0.1	96.1	7.6	-0.9	97.9
Avail	1H	114.5	37.5	+0.6	104.0	17.3	-1.4	93.0
	Q3	100.8	38.8	-0.9	102.7	15.3	-0.1	92.8
	Nine months	109.3	37.9	+0.0	103.5	16.6	-0.9	92.9
Birthday	1H	122.6	35.3	+2.2	72.6	4.5	-2.6	99.4
	Q3	104.9	35.5	-0.6	122.0	4.1	+0.5	116.0
	Nine months	115.5	35.4	+1.1	84.3	4.3	-1.4	105.0

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I will explain the results of the Shimamura business in terms of gross profit, price reduction, and inventory.

Gross profit for the third quarter decreased by 3.5% YoY, and the gross margin decreased by 1.2 percentage points. This is a reaction to last year's large increase due to the tailwind of external factors, but compared to 2019, the increase was 19.6%. This was due to the use of short-term production, early introduction of seasonal products, and continued reduction of limited-time discounts.

The price reduction in the third quarter was 3.4% higher YoY, and the rate increased by 0.3 percentage points. This is in reaction to last year's restrained price reduction due to extremely low summer inventory, but we were able to achieve a significant reduction of 21.8% compared to fiscal 2019. The limited-time discounts for the third quarter were set at zero for this year, compared to 51 last year.

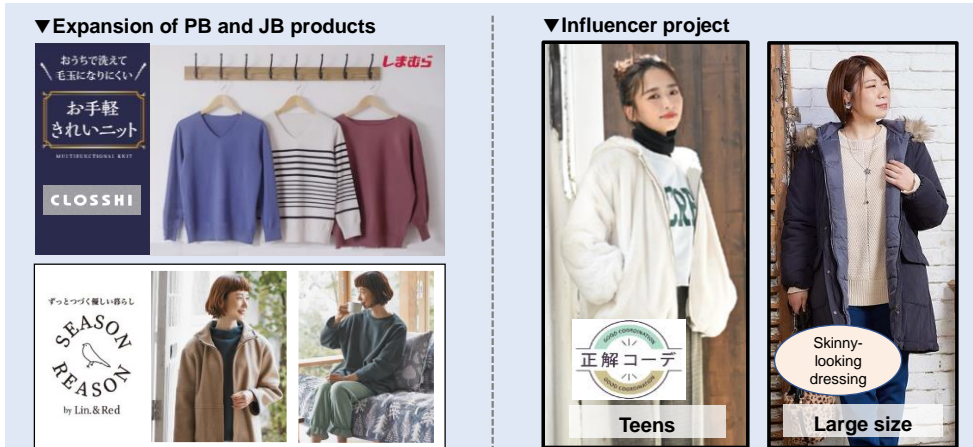
Inventory volume for the third quarter decreased by 2.1% YoY. This was due to the fact that we were able to maintain appropriate inventory levels through the use of short-term production, and we were able to properly dispose of poorly selling products at price reduction by reducing limited-time discounts.

The ratio of short-term production in the third quarter for wear as a whole was 28%, the same level as the first half.

In terms of product procurement, the ratio of short-term production declined slightly in the women's teens category, which was severely affected by the delay in delivery due to the electricity shortage in China, but we were able to fully utilize the short-term production system as a whole by further expanding short-term production in the shoes and fashion accessories category.

Strengthening product appeal

- (1) **Strengthen brand power:** ratio of original brand products was 29.5% (PB+JB+FIBER/Nine months period)
 JB ratio expanded to 9.1%. Ratio of brands for women in their 30-50s was 51.6% (PB+JB)
- (2) **Strengthen product planning capabilities:** Expand influencer project and character products
 Influencers suggest ways to wear our clothes through videos. Expand character product lineup.



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This is Suzuki, the President. I would like to explain the progress of our priority tasks for this fiscal year.

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

With regard to strengthening brand power, in the third quarter, as in the first half of the year, we continued to expand our PB and JB brands.

In the PB, “CLOSSH!”, washable knitwear and T-shirts made of heat-generating material were hot sellers in wear, while in practical products, hats, pumps, towels, and pajamas from “The Four Specialties Series”, which focuses on functionality and ease of use, performed well.

In the JB business, the natural-taste “SEASON REASON”, which celebrated its first anniversary in September, and the outdoor-taste “LOGOS DAYS”, which was launched this fiscal year, have been widely expanded to include wear, fashion accessories, bedding, and interior products, utilizing video advertising. As a result, the brand power was enhanced, and sales increased significantly.

As a result of these actions, the overall brand share of sales, PB, JB and FIBER series combined, reached 29.5% in the first 3 quarters, with JB in particular expanding to 9.1% and increasing its presence on the sales floor.

In the influencer project, “The Correct Coordination” featuring Chihiro Kondo in the women's teens category performed well, as we proposed coordination of trendy autumn and winter products through flyers and video advertisements and linked them to sales corners creation. In the women's large size category, an influencer project based on the concept of solving customers' problems attracted attention by distributing videos on SNS showing how to wear the products, and it became a hot-selling product.

In the area of character products, we aggressively commercialized not only famous characters but also niche characters from various genres, such as those popularized in animation and manga, and those popularized on SNS. We expanded our products widely from wear to knickknacks and interior products in this way, which led to the acquisition of new customers.

Strengthening sales power

- (1) **Expand digital advertising:** Expand social media followers and video advertising through new initiatives. Number of social media followers: Approx. 29 million (as of the end of Q3). 13 video ads (9 ads in Q3/last year).
- (2) **Strengthen regional response:** Continue to respond to regional and urban areas, sluggish-sales stores, Okinawa and Hokkaido stores. Convert web ads to flyer ads for regional stores, and add special price flyers for sluggish-sales stores.

▼ Video advertising, official YouTube

Video advertising

Official YouTube channel

▼ Shima Style (Shimamura Project)

Consultation room

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Create products based on customer opinions

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

First, I will talk about the expansion of digital advertising. In the third quarter, we further expanded our digital advertising, such as distributing flyers and video ads on SNS. The number of SNS members was approximately 29 million at the end of the third quarter, up 22.1% YoY.

The level of Shimamura's Instagram “Shimastyle”, which specializes in women's teens, and “Shimamura's official YouTube channel”, which distributes product introduction videos, started this term and are produced and managed in-house, has been increasing, leading to an increase in the number of SNS members.

In addition, “Shimastyle” not only disseminates information, but has also launched “The Minna de Tsukuru Shimamura Project” to gather customer feedback for commercialization and has had a great response to its product planning for petite women.

In addition, the number of video ads in the third quarter was expanded from 9 last year to 13 this year, and the effectiveness of these ads was enhanced by flexibly changing the timing and media for distribution in response to changes in sales and weather conditions.

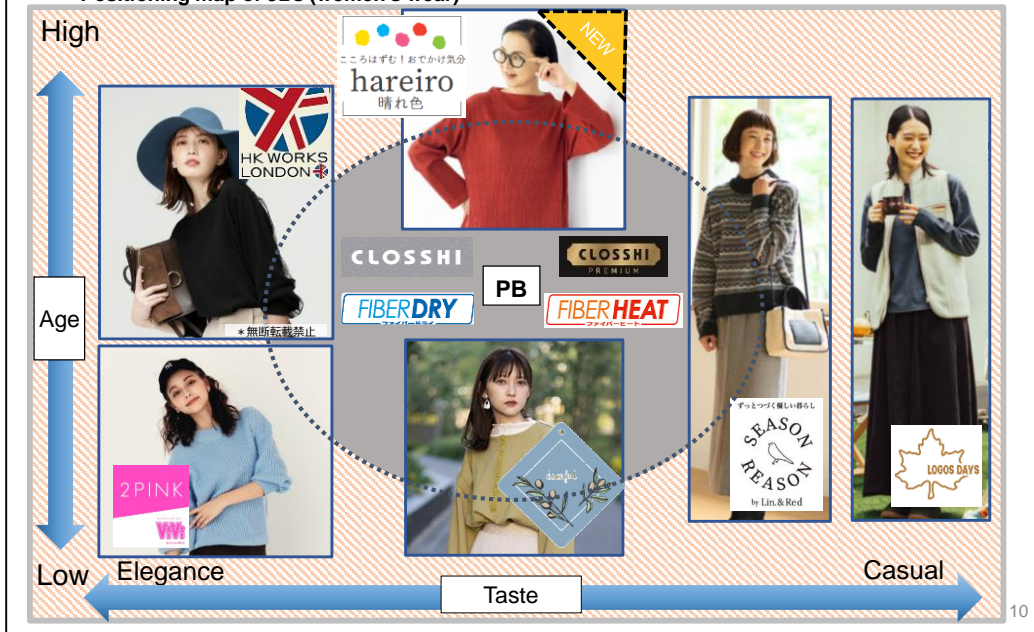
Next, I would like to talk about strengthening of regional responses.

For stores in rural areas where newspaper inserts were highly effective in the third quarter, we took measures to replace flyers with newspaper inserts instead of web distribution, resulting in high flyer digestibility. In addition, in stores with sluggish sales, we replaced flyers with flyers that emphasized price, and in Okinawa, we continued to launch flyers with autumn items in line with the temperature instead of winter items, which each increased sales.

In addition, 50 stores in urban areas saw an increase in sales due to the separate arrangement of products specifically for urban areas through JB and influencer projects. In the next fiscal year, we plan to expand the number of stores to 250, and further increase sales by developing exclusive products and implementing digital advertising.

Strengthening product appeal

- Positioning map of JB's (women's wear)



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I would like to reiterate the positioning of major brands using the women's wear positioning map for the expanding PB and JB.

First, PB, which is located in the middle, is based on basic design and has a wide range of target age groups and product tastes.

Secondly, JB's target age group is 20 years to 60 years old, and the product taste is divided into elegance and casual, and brands suitable for each segment are developed jointly with suppliers.

Until now, we have lacked a brand for the 50-year-old segment, but on December 1, we launched "hareiro" as the new JB. This product is a joint project with the fashion magazine, Takarajimasha, Inc.

As a result, in the women's wear category, we now have a system that allows us to propose appropriate product brands for each age group and product taste in a comprehensive manner. In addition to PB and JB, we have also been able to make proposals to various age groups and product tastes through influencer projects, and by continuously selling these products at each sales floor of the stores, we have been able to improve customer loyalty, which has led to an increase in the number of customers and the number of items purchased.

In addition, while our basic policy is to develop each brand over the long term and enhance its brand image, we also continue to test and sell product plans that could become the next brand, taking into account the possibility of worsening sales conditions.

Strengthening sales power

- Creating a sales corners for PB “CLOSSHI” (women's tops)



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I will explain the status of sales corners creation for PB and the main JB and influencer projects.

First, sales floor for PB, “CLOSSHI”. This is the women’s turtleneck collar t-shirt section, which is based on “The +3 °C” concept.

The PB is based on the display of each product item, and the features of the products are communicated to customers through displays and posters, as shown in the areas circled in red.

Strengthening sales power

- Creating a sales corners for PB “CLOSSHI” (women's pants)



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Sales floor for PB, “CLOSSHI” Uraji Attaka Pants.

Here, the poster explains the secret of the warmth, which is a feature of the product, and the display shows the silhouette of the product.

For each PB product item, in addition to regular flyer advertisements, video advertisements are also distributed on video distribution sites to continuously strengthen branding by linking the product, sales floor, and sales promotion in a trinity.

Strengthening sales power**- Creating a sales corners for JB “SEASON REASON”**

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Sales floor for JB, “SEASON REASON”.

JB is striving to increase the number of items purchased based on coordinated sales of tops and bottoms.

In addition to wear, “SEASON REASON” offers a wide range of products such as shoes, bags, accessories, bedding, and interior products, each of which is selling well.

Strengthening sales power**- Creating a sales corners for the JB “LOGOS DAYS”**

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Sales floor for JB, “LOGOS DAYS”.

The outdoorsy “LOGOS DAYS” brand also offers a wide range of products, from wear for fashion accessories for women, men and children, and each is selling well.

As the number of PBs and JBs has increased, there has been an increase in the number of requests from the head office to stores to create sales corners. In response to this, this fiscal year, we installed two tablet terminals in all stores and distributed videos and images of sales corners creation from the head office, creating a system that enables store employees to smoothly understand everything from brand concepts to sales corners creation.

By strengthening this internal branding, each store has been able to create a highly standardized sales corners, making it easier for customers to choose and buy.

Strengthening sales power

- Influencer project: Creating a sales corners for “The Correct Coordination”



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The influencer project, the sales floor for “The Correct Coordination”.

Similar to JB, the influencer project is based on the sales of coordination of tops and bottoms to increase the number of items purchased.

The coordination in the photo was worn by model Chihiro Kondo in a video advertisement, and the linkage between the sales floor and the sales promotion to promote the products had a great advertising effect, making each product a hot seller.

Strengthening product appeal and sales power

(1) **Strengthen the three JB brands:** “CHIP CLIP”, “SUREVE”, and “Rag Out”.

▼ In addition to women's and men's wear, the store also offers shoes and bags

▼ Q3 JB ratio: 30.8%, particularly strong for men's trendy wear

(2) **Special sales corner:** Weekly sales of popular character products at a special sales corner near the entrance

▼ Total development of JB for women and men



▼ Special sales corner near the entrance



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I will explain the initiatives in the Avail business.

In order to establish its brand, Avail expanded the assortment of JB's “CHIP CLIP”, “SUREVE”, and “Rag Out” brands to include women's and men's wear, shoes, and bags, with JB accounting for 30.8% of sales in the third quarter.

For women, knitwear, skirts, and boots were hot sellers, while for men, knitwear and pants in a little bit beautiful casual and old clothes street casual styles were hot sellers.

In the interior and household items category, which was launched as a new department this fiscal year, we expanded our product lineup to include bathmats, aprons, and blankets in addition to character cushions and towels, and expanded our sales floor, which led to the acquisition of new customers and a significant increase in sales. This action was sufficient to compensate for sales in the shoes category, which had to reduce its sales floor.

We have developed a wide range of character products, from women's and men's wear to knickknacks, and by presenting them together in flyers, we have increased their appeal and increased the number of customers.

As in the Shimamura business, we aggressively marketed not only famous characters, but also niche characters popular in anime, manga, and social networking sites, which resulted in the ratio of character products to total sales expanding to 11% in the third quarter. Another effective way to increase sales was to set up a special sales corner near the entrance to sell a weekly collection of character products advertised in the flyers.

Strengthening sales power

- Creating a sales corners for JB “SUREVE”



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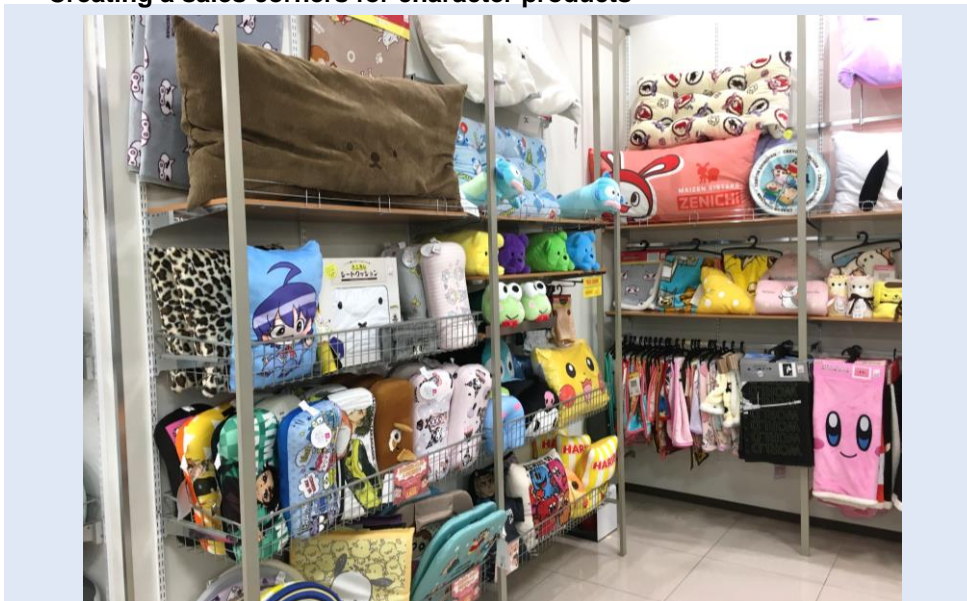
I would like to explain the status of sales corners creation for JB and character products at Avail.

First, sales floor for JB, “SUREVE”.

At Avail, new JB products are displayed along the aisles of the store using mannequins and table fixtures to appeal them, creating a sales floor that makes it easy for customers to understand seasonal product trends.

Strengthening sales power

- Creating a sales corners for character products



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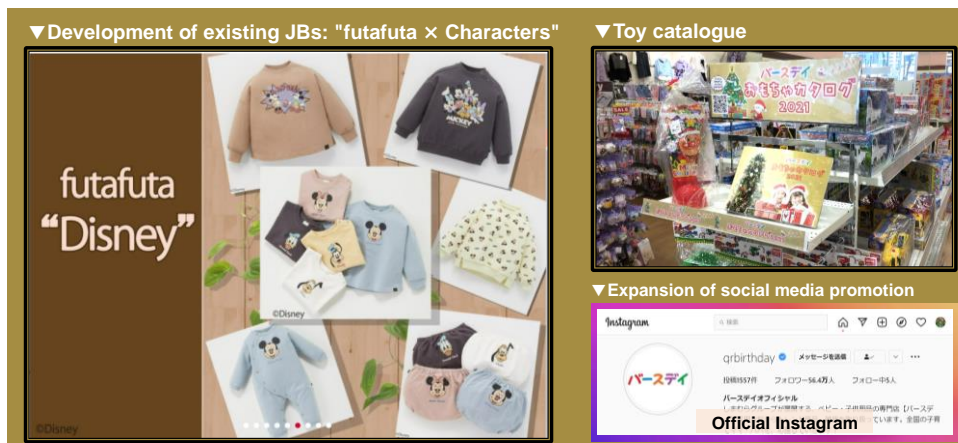
Sales floor for character products.

Character products are sold by gathering interior and household items in one place to increase the presence of the sales floor and create a sales floor that leads to bulk purchases of favorite characters.

In addition, in the newly launched interior and household items department, buyers who are in charge of product purchasing and controllers who manage the sales floor are all female employees, promoting the product planning and sales corners creation from perspective of women, in order to differentiate its products from those of the Shimamura business and to develop distinctive products that match the customer base of the Avail business. As a result of these efforts, the sales of this department for the current fiscal year have greatly exceeded the plan. We plan to further expand our sales floor and product lineup in the next fiscal year in order to develop it into a mainstay department.

Strengthening product appeal and sales power

- (1) **Develop existing JB's:** Ratio of JB products for the nine months period was 28.5% (up 4.3ppt. YoY) Strong performance of futafuta x characters, expand of development sizes and items
- (2) **Advance sale of seasonal products:** Increase in sales by producing additional autumn/winter products in a short period of time
- (3) **Expansion of social media promotion:** Number of followers of Instagram: 560,000 (largest in Japan)



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I will explain the efforts of the Birthday business.

First, in the expansion of existing JB's, we expanded the product lineup of mainstay JB's. JB, "futafuta" launched products in collaboration with Sanrio in the second half of the year, in addition to products in collaboration with Disney, which were strong sellers in the first half of the year, and all of them performed well. The expansion of JB's sales was also due to the launch of new junior size products in collaboration with characters, as well as the introduction of a new lineup of socks and tights. As a result of these measures, the ratio of JB to net sales for the 9 months ended November 2021 was 28.5%, an increase of 4.3 percentage points YoY.

As the action to respond to the needs of the occasion, sales of school children's products for school events showed and leisure products a recovery trend as the mood of self-restraint in going out eased. In response to Christmas, sales of toys, which grew substantially last year due to stay-at-home-demand, exceeded last year's level due to a significant increase in the number of toy catalogs placed on the sales floor, distribution of which began in October, and the establishment of a special toy sales floor.

Next, I would like to talk about the advance rollout of seasonal products.

In the first half of the fiscal year, the smooth rollout of summer products allowed us to start rolling out fall and winter products in July. Thanks to the short-term additional production of hot-selling fall and winter products and their re-introduction in September, sales of fall products in September increased by 49.3% YoY, and sales of winter products increased by 38.1% YoY.

In terms of sales promotion, we have expanded sales promotion using SNS. The number of followers on Birthday's Instagram exceeded 560,000 at the end of the third quarter, making it the largest official account for baby and children's products in Japan. Utilizing this number of followers, we actively distributed information on JB and products in the flyer via SNS in the third quarter, and also held regular campaigns. We will further accelerate digital sales promotion at Birthday, including the Birthday Online Store that was launched in September.

Strengthening sales power

- Creating a sales corners for JB “futafuta”



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I would like to explain the status of sales corners creation for JB on Birthday.

This is the sales floor for JB, “futafuta”. At Birthday, we use table fixtures to display wear, shoes, and accessories in one place in a totally coordinated manner, creating a sales floor that conveys the cuteness of the products to customers.

In December, we launched “Cottoli”, a new JB for newborns. This will strengthen JB's response to the newborn segment, where it has not been able to develop its brand.

Expansion and strengthening the online store

- (1) **Expansion of product lineup and services:** Expansion of EC-limited products and booking sales
EC-limited influencer project and EC-limited character products were hot sellers
- (2) **Started EC for Birthday business in September:** You can pick up items at other brand stores
- (3) **The number of EC members is 950,000 (as of the end of Q3):** Membership data will be used for sales promotion, store openings, etc.



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We will explain our EC business initiatives.

First, let's talk about the results of the online store for the third quarter.

In the Shimamura business, about 90% of sales are made up of character products and influencer projects, with online store-exclusive products selling particularly well, accounting for about 60% of sales in the third quarter. In terms of sales formats, the expansion of pre-order sales to accept orders in advance has prevented loss of sales opportunities due to sell-outs and has also led to inventory reduction at the EC center.

Next, let's talk about the Birthday business.

Birthday's online store was launched on September 8. Initially, the product lineup consisted mainly of JB's that were available only at the online store, but we are currently reviewing the product lineup by expanding the lineup of character products and products featured in flyers, which were requested by many customers after the opening.

As for the method of receiving products ordered by customers, the percentage of customers receiving products at stores was 92%. Since the second half of the fiscal year, we have improved the system for customers to receive products from the online store at all stores within the Shimamura Group, excluding Divalo, which has further increased the percentage of products received at stores.

In addition, the ratio of combined purchases at stores by customers who came to the stores to pick up their products was 46% for the 9 months ended November 2021, and we are making steady progress in attracting customers to existing stores through the online store and increasing the amount spent per customer through combined purchases.

In addition, the number of online store members exceeded 950,000 at the end of the third quarter and 1 million in the December quarter. For the next fiscal year, we will put in place a system to utilize the data obtained from membership information for sales promotion and store opening strategies, which will lead to an increase in existing store sales.

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

- Net sales are expected to increase by 5.1% YoY and operating income is expected to increase by 20.1% YoY.
- Annual dividend per share is expected to be 220 yen.

(The full-year forecast remains unchanged from the Q2 results announcement.)

(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 2022.

There is no change in the full-year earnings forecast and dividend forecast from those disclosed at the time of the announcement of the financial results for the second quarter on September 27.

Currently, new mutant strains of novel coronavirus infection are spreading around the world, and the problems of late delivery of products and rising costs due to problems at overseas production sites have not yet been resolved. Due to continued uncertain factors in consumption environment and supply chain that remained unsolved, we have not made any changes to our fourth quarter forecast.

Impact on product procurement due to electricity shortages in China and other factors

(1) Q3: In some division, about 10% of products are delayed in delivery by about one week.

(2) Future responses

- ▼ Avoiding risks by diversifying production sites, such as producing the same product in two different countries.
- ▼ Expand fabric contracts and sewing line contracts under test operation to stabilize delivery time.

Impact of soaring raw material costs on purchasing costs

(1) Q3: In some products, the price purchase rate declined due to an increase in purchasing costs.

(2) Future responses

- ▼ Reduce purchasing costs by producing trendy products in a short term, and by placing early orders for standard products using off-peak periods and expanding the order quantity.
 - ▼ Large items such as bedding were delivered by compressed form, and some products were shifted to Japanese production
- ⇒ However, an increase in procurement costs is an unavoidable problem.
We will review our supply chain and price ranges looking ahead to the next fiscal year.

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I would like to explain the problems that occurred in the third quarter in terms of product procurement and our future actions.

First, there is the impact on product procurement due to power shortages in China.

Although the impact on the overall delivery of products was minor, there was a delay of about one week in the delivery of about 10% of the products in some departments, and this impact is expected to continue until the Chinese New Year and the Winter Olympics in February 2022.

Based on this, we will work to avoid risks by diversifying production countries and suppliers and stabilize delivery schedule by expanding fabric contracts and sewing line contracts under test operation.

Next is the impact on purchasing costs due to soaring raw material prices, rising ocean freight rates, and the trend of Japanese yen depreciation.

The impact on overall product procurement is also minor, but it has led to higher purchasing costs for some products, and there is a risk that the impact will be even greater for next year's spring/summer products.

In light of this, we will continue to use short-term production for trendy products, while for standard products, we will reduce purchasing costs by placing early orders during off-peak periods and expanding the order quantity. In addition, for large products such as bedding, we will reduce logistics costs by expanding the delivery of compressed products, which we have already started, and by shifting part of the production to Japan.

However, as rising product procurement costs are an unavoidable problem in the future, we will take measures to absorb the rising costs by reviewing our supply chain and revising the price range of some products with expanded design and functionality for the next fiscal year.

Information Disclosure on Corporate Website

(1) Schedule for disclosing financial results

- ▼ Financial Results Briefing Materials (with comments): Monday, December 27
- ▼ Summary of Q&A Sessions on Financial Results: Tuesday, December 28
- ▼ Summary of Financial Results (English version): Tuesday, December 28
- ▼ Financial Results Briefing Materials (English version): Wednesday, December 29

(2) Update of Corporate Governance Report: Monday, December 27

(3) Major Corporate Information on the Corporate Website (Full Update in April 2021)

- ▼ Business Model ▼ Medium-Term Management Plan
- ▼ Corporate Governance Structure ▼ ESG Activities
- ▼ English-version page (Business Model, etc. and Individual Information in English)

Corporate website



External Evaluation (Results for FY2021)

(1) Disclosure Evaluation (Retailing)*Japan Securities Analysts Association

11th (22 target companies) *FY2020: 19th (23 target companies)

(2) ESG Rating *MSCI

Rated "BB" *FY2020: Rated "B"

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I would like to explain our future information disclosure schedule and external evaluations of our IR and ESG activities.

First, in terms of the information disclosure on our corporate website, we will disclose the financial results according to the plan shown here. In addition, the skill matrix of directors will be disclosed on the corporate website on December 27 in conjunction with the update of the Corporate Governance Report.

In April 2021, the Shimamura corporate website was completely renewed, and in order to fully communicate the Group's outline and corporate policies to investors, the business model, medium-term management plan, corporate governance structure, ESG activities, and English-language pages were greatly expanded, and the disclosed information was enhanced. Thanks to your support, our disclosure evaluation for FY2021, as you can see, improved significantly compared to last year.

As for ESG activities, we have strengthened our efforts and information disclosure on these activities, and as you can see, the evaluations by external organizations have improved.

We will continue to provide our investors with timely and appropriate IR activities based on fairness and accuracy. In addition, we will further strengthen our efforts in ESG activities and pursue easier-to-understand information disclosure and greater volume of disclosure.

(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 business results for the third quarter of the fiscal year ending February 2022 and full-year forecasts for SHIMAMURA.

Thank you very much for your attention.