Financial Results for 2Q of FY2/23

October 4, 2022

しまむらグループ

1. Consolidated Results: Income Statement

▽ Net sales increased by 5.9% YoY. Record-high sales for the first half alone.
▽ SG&A expenses were 25.1% (▲0.5pt YoY), Cost containment through more efficient advertising and other expenses
▽ Operating income was 28.9 billion yen (9.6% rate). Record-high income for the first half alone.

(Million yen/%)

	FY2/23 1H	Ratio to sales	YoY	FY2/22 1H	Ratio to sales	YoY
Net sales	301,348	100.0	105.9	284,592	100.0	111.9
Gross profit	103,733	34.4	106.2	97,671	34.3	114.9
SG&A	75,516	25.1	103.6	72,870	25.6	104.9
Operating income	28,919	9.6	114.1	25,342	8.9	158.6
Ordinary income	29,680	9.8	114.9	25,835	9.1	157.8
Net income attributable to owners of parent	20,620	6.8	118.3	17,427	6.1	165.6
Net income per share	561.08yen	–	–	474. 22yen	–	–

2. Sales by Business

▽ Domestic sales increased by 5.6% YoY due to the further enhancement of brands, development of new influencer collaboration and character products, diversification of sales promotion methods, and regional response.

▽ Si meng le (Taiwan) struggled with the expansion of the novel coronavirus and bad weather, but showed a recovery trend from July onward.

＊E-commerce sales are included in each business（Million yen/%）

Business	FY2/23 1H	Composition ratio	YoY	FY2/22 1H	Composition ratio	YoY
Shimamura	225,192	74.8	104.5	215,497	75.7	111.8
Avail	29,585	9.8	111.6	26,515	9.3	112.8
Birthday	35,948	11.9	106.4	33,783	11.9	114.8
Chambre	7,219	2.4	114.1	6,325	2.2	112.6
Divalo	378	0.1	109.3	346	0.1	102.1
Shimamura (non-consolidated)	298,324	99.0	105.6	282,468	99.2	112.3
Si meng le (Taiwan)	3,023	1.0	142.4	2,123	0.8	83.1
Shimamura (consolidated)	301,348	100.0	105.9	284,592	100.0	111.9

3. Consolidated Results: SG&A Expenses

▽ Personnel expenses: Increased by 4.7% YoY on a 5.6% wage increase. It has been incorporated into the plan.

▽ Advertising expenses: Ratio to sales was 1.8%, controlled by the expansion and diversification of digital sales promotions.

▽ Equipment cost: Utilities expenses rose by 23.9% due to an increase in electricity charges. Rents were restrained.

(Million yen/%)

	FY2/23 1H	Ratio to sales	YoY	FY2/22 1H	Ratio to sales	YoY
Salary	32,011	10.6	104.6	30,598	10.8	104.9
Total personnel expenses	37,381	12.3	104.7	35,703	12.5	104.0
Advertising expenses	5,286	1.8	97.6	5,417	1.9	124.7
Total selling expenses	8,916	3.0	101.9	8,746	3.1	119.0
Supplies expenses	619	0.2	95.7	647	0.2	118.0
Display fixtures expenses	446	0.1	119.5	374	0.1	81.6
Total operating expenses	3,795	1.3	103.1	3,682	1.3	102.7
Rents	16,354	5.4	99.7	16,409	5.8	99.1
Depreciation and amortization	2,928	1.0	98.8	2,962	1.0	111.0
Total equipment cost	23,081	7.7	102.6	22,489	7.9	101.4
Total general expenses	2,341	0.8	104.1	2,248	0.8	110.8
Total SG&A expenses	75,516	25.1	103.6	72,870	25.6	104.9

4. Consolidated Results: Balance Sheets

▽ Assets: Cash and deposits, accounts receivable, and valuable securities increased by 13.4% YoY. Merchandise inventories increased by 9.3% YoY. Curbing unreasonable price reductions for summer products.

▽ Liabilities: Mainly accounts payable and accrued consumption tax increased.

(Million yen/%)

	End-Aug. 2022	Composition ratio	YOY	End-Aug. 2021	Composition ratio
Current assets	319,229	65.0	113.5	281,160	61.8
Noncurrent assets	171,783	35.0	98.7	174,093	38.2
Total assets	491,012	100.0	107.9	455,254	100.0
Current liabilities	54,367	11.1	111.7	48,663	10.7
Noncurrent liabilities	9,641	1.9	107.5	8,972	2.0
Total liabilities	64,009	13.0	111.1	57,636	12.7
Total shareholder's equity	423,452	86.3	107.6	393,643	86.4
Accumulated other comprehensive income	3,550	0.7	89.3	3,974	0.9
Total net assets	427,003	87.0	107.4	397,618	87.3
Total liabilities and net assets	491,012	100.0	107.9	455,254	100.0

5. Existing stores sales,Number of customers,Spending per customer (YoY)

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▽ Growth in existing store sales: Strengthen product and sales capabilities. Continue individual response to each region and store.
▽ Increase in number of customers: Develop influencer collaboration and character products. Strengthen capability to offer information through diversification of sales promotion media.
▽ Increase in average customer spend: Strengthen proposal for coordination and expand high-priced products.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	FY2/23 Q1	103.7	103.1	101.2	101.3	101.9	100.6
	FY2/23 Q2	106.2	105.8	103.4	100.3	102.3	102.0
	FY2/23 1H	105.0	104.5	102.3	100.9	102.1	101.1
Avail	FY2/23 Q1	110.9	110.0	106.6	102.3	103.2	100.8
	FY2/23 Q2	114.3	113.2	109.7	101.6	103.1	101.6
	FY2/23 1H	112.6	111.6	108.2	101.9	103.1	101.2
Birthday	FY2/23 Q1	105.2	108.7	103.9	105.1	104.7	99.6
	FY2/23 Q2	101.2	103.4	100.5	101.6	102.9	101.2
	FY2/23 1H	103.5	106.4	102.3	103.6	104.0	100.4

6. Gross profit, Price reduction, Inventory YoY

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▽ In all businesses, gross profit margins were better than the previous year due to strong sales of summer products and the use of short-term production to curb price reductions.

▽ The reactionary rise in inventory levels of the Birthday business due to a reaction to the previous year's under-supply of summer goods, showing an appropriate range.

(%, pt)

Business	Period	Gross profit			Price reduction			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	FY2/23 Q1	103.5	33.5	+0.2	79.5	6.7	−2.0	101.1
	FY2/23 Q2	105.0	33.5	−0.3	84.6	5.2	−1.3	104.7
	FY2/23 1H	104.3	33.5	−0.1	81.7	5.9	−1.6	102.8
Avail	FY2/23 Q1	116.0	38.0	+2.0	86.1	16.2	−4.4	98.6
	FY2/23 Q2	114.4	39.4	+0.4	99.1	12.2	−1.7	101.1
	FY2/23 1H	115.2	38.7	+1.2	91.4	14.1	−3.1	99.8
Birthday	FY2/23 Q1	108.1	36.6	−0.2	94.1	2.4	−0.4	112.4
	FY2/23 Q2	101.7	32.9	−0.5	92.7	6.0	−0.7	114.5
	FY2/23 1H	105.5	35.0	−0.3	93.2	3.9	−0.6	113.4

7. Shimamura Business ①

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Strengthening product appeal

▽ Further enhancement of brands: Composition of in-house brands for the first half was 29.1% (PB+JB+FIBER)
PB sales increased by 6.9% YoY. Development of new products and rebranding of existing products.

▽ Expansion of high-priced brand “CLOSSHI PREMIUM”. Sales increased by 2 times YoY.

▽ In the functional product brand “FIBER DRY”, sales of under wears and slippers were strong. Sales increased by 4.3% YoY.

Further enhancement of the PB “CLOSSHI”

Correcting undergarment “WITH BI”

Four specialties. Washable and anti-mite

Expansion of “CLOSSHI PREMIUM”

Heat shielding and room-drying odor reduction

-7℃/antibacterial processing

Choice of series to suit your preference

High functional product “FIBER DRY”

7. Shimamura Business ②

Strengthening product appeal

▽ Improvement of JB's planning capability: JB ratio was 8.8% in the first half. Sales increased by 12.5% YoY. Enhanced product planning. Reflected customer feedback in product development for "LOGOS DAYS".

▽ Expand influencer collaboration. Products for teens was strong through following the trend.

▽ Expand horizontal development of character products. Aggressive development of new categories in sundries.

LOGOS DAYS 1st Anniversary Project
-Commercialization from customer feedback

Gilet + Colored Pants
"The Correct Coordination"

Horizontal development of popular character projects

MAIZEN Sisters

MINECRAFT

mofusand

New categories: "Cool touch goods" and "Beauty products"

Cool touch tubes

Skin care products

Beauty appliances

7. Shimamura Business ③

Strengthening sales power

▽ Diversification and use of digital sales promotions: 21 web commercials in the first half (up from 4 last year). Promote PB products and key events through videos. Promote the attractiveness of products and events.

▽ New digital sales promotion "LINE flyers" and "TikTok." 31.9 million social media followers.

▽ Use both insert flyers and web promotions. Implement sales promotions flexibly according to changes in the situation.

Promote attractiveness of PBs via video

Promote key events through web commercials

Use of new digital sales promotion

LINE flyers

TikTok for Generation Z

Timely sales promotions according to weather and sales conditions

Sales promotion according to weather (rainy season)

Sales promotion of lower-priced products

Use of insert flyers and web advertising according to regional characteristics

Flexible video distribution using the head office studio

7. Shimamura Business ④

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Strengthening sales power

▽ Improvement of planning capability: Increase the number of customers by clarifying the themes of flyers such as promoting various fairs, etc.

▽ Strengthening individual response and regional response: Expand special flyers and products at 250 urban stores.
Exclusive influencer collaboration and character products became hot sellers. Expand to 280 stores in the second half.
In Okinawa, sales were strong due to the firm continuation of summer goods sale from March to August.

Multifunctional Underwear Fair

Popular Character Project

Character x Baby Fair

New Influencer x Parent & Child Project

Exclusive Flyer for Urban Stores

Exclusive Character for Urban Stores

Urban exclusive influencer project

Yunkoro

Rina Chishima

chico

omi

8. Avail Business ①

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Strengthening product appeal

▽ Strengthening of trend proposals, centered on JB: JB ratio for the first half was 36.5%. Gilets + T-shirts and colored pants are in trend. Launched a brand for low-teen customers.

▽ Strengthening of character planning: Ratio of character for the first half was 14.8%. Sales increased by about 2 times YoY.

▽ Expansion of product categories such as bedding and confectionery. Sales of the relevant department increased by 55.2% YoY.

Gilet + T-shirt + colored pants are in trend

CHIP CLIP　SUREVE　RagOut

Fashion goods and accessories are strong

Low-teen brand "Emma muah" was launched

Ghost character project

Expansion of handling categories

Bedding

Sweets

Stuffed Toys

Stationery

8. Avail Business ②

しまむらグループ

Strengthening sales power

▽ Remodeling of the layout of all stores is completed. Strengthen the ability to make coordinated proposals .
- New fixtures for accessories and outerwear displays were introduced.
- The sales area around the cash registers and the event sales corner were also changed to strengthen the appeal of character products.

▽ Regional response: Start urban response at 30 stores. The linkage of products, sales areas, and sales promotions has yielded results.

Total Coordination Flyer

JB: Related sales of outerwear and accessories

Set up character sales area in front of cash register

Strengthen sales capability by expanding the event sales area

Flyers exclusively for urban stores

Dedicated items for urban stores

9. Birthday Business ①

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Strengthening product appeal

▽ Expansion of JB: JB ratio was 25.0% in the first half. Sales increased by 45.4% YoY.
“futafuta”: Collaboration project with a zoo for 10th anniversary / "Cottoli": Strengthening gift business
“rabyraby“: School size compatible / "DAILY LINE“: basic compatible

▽ Expansion of JB and leading manufacturers: Become a hot seller by expanding into strollers and other large products.

Developing and strengthening JB products by age

futafuta 10th Anniversary Project: Animal Series

futafuta x Swim

rabyraby School Size

Newborn | Baby | Toddler | Junior | School size

Cottoli For newborns, gift-ready, x "Combi" collaboration

tete a tete Specialty products x "Combi”

DAILY LINE —futafuta—

9. Birthday Business ②

Strengthening sales power

▽ Diversification of digital sales promotion: Product development with influencers and sales promotion via social medias.
Our Instagram account has 630,000 followers. Started Tik Tok as well.

▽ Strengthen approach to prenatal and postpartum customers: Start placing advertisements in "Zexy Baby" mail magazine and "Babypedia," a free paper for maternity hospitals.

Planning meetings with mom influencers

Commercialization of joint projects

Instagram-live distribution

Enhancement of video content on website

10,000 "#Everyday is Birthday" posts on Instagram every month.

TikTok sales promotion

Free paper for maternity hospitals

10. Chambre and Divalo Business

Strengthening product and sales power

▽ Chambre Business: JB strengthened coordination proposals. Sales increased by 14.1% YoY.
Gift wrapping increased by 4.9% YoY with strengthening wrapping services. “Gift Marche" was also well received.

▽ Divalo Business: Strengthen proposals on how to dress for shoes, clothes, and accessories. Sales promotion via social media also expanded.
Existing sales increased by 11.7% YoY. New model store for "Shoes & Fashion" to be opened in the 2H of the year

JB coordination proposal

Sales promotion and sales space linked to products

Gift Marche

Shoes and fashion dressing suggestions

Increasing recognition through sales promotion via social media

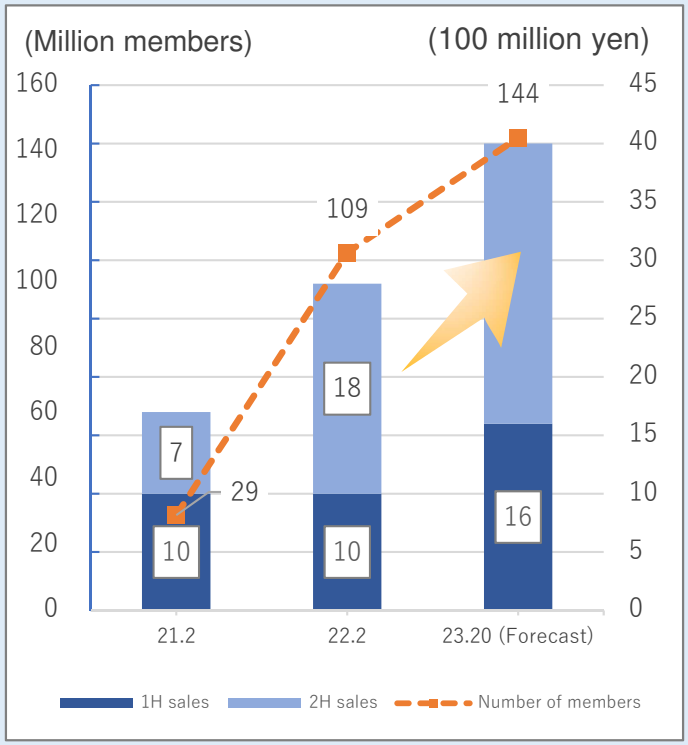
11. EC Business

Expand online sales business and improve convenience

▽ Sales in the first half was 1.6 billion yen, approx. 1.5 times YoY. Almost in line with forecast.
Q1: Delayed delivery due to the Shanghai lockdown, Q2: Strong sales of EC-limited products.

▽ Number of members: 1.44 million members. 90% store pick-up ratio / Approximately 50% of customers purchase other products at stores when they pick up their orders.
Started development of Avail and Chambre business in April. Mutual transfers within the business are progressing.

EC Sales and Number of Members



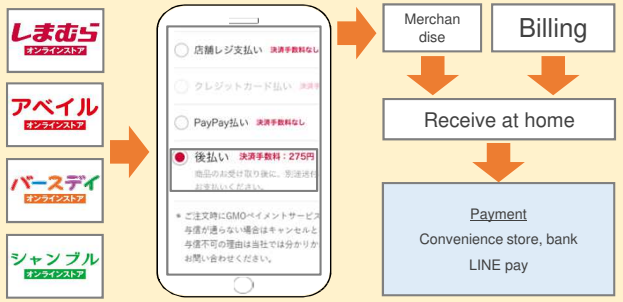
(Note) Sales in FY2/21 include “Shima-colle”, membership in FY2/23 is as of Q2.

Expand online sales for four businesses in Japan: Limited-edition products and pre-order sales are strong

Influencer and character projects

Strong sales of JB's fall/winter products

Expansion of payment options and development of new store customers through four EC businesses



Postpaid payment started (with settlement fee)

Mutual transfers within the four business are progressing.

12. Promotion of DX ① Progress in 1H

Progress of DX to improve sales and operational efficiency

▽ Started data analysis (Market Research Dept.): Expanded sales of characters through social media analysis.

▽ Utilization of tablet terminals: (1) “Shima Navi”: Sales floor improvement plans sent out by stores are shared by all stores.
(2) “Smart Sales Floor Plans”: Requests to create sales floor with photos and videos from head office to stores.
(3) “Shima Channel”: Distribute educational videos on product knowledge and store operations. Improve employee level.

Character analysis via social media by Market Research Department

Validate flyer results through social media analysis

Commercialization of customer “Want”

Development of new men's products

Expansion of character types

Utilize “Shima Navi”

Share improvement measures with stores

"Smart Sales Floor Plans”

Distribute "Shima Channel" videos

12. Promotion of DX ② 2H Plan

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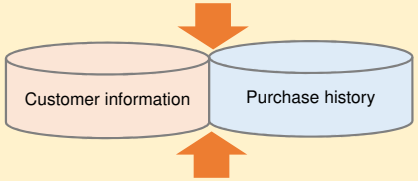
"Customer Management System" service to be launched in the 2H

▽ Issue digital membership cards at physical stores and centrally manage them with EC members.

▽ Promote service level improvement and data utilization by grasping customer information and purchase histories.

▽ Start new membership services. (1) Direct marketing to customers (2) Product inventory search via app (3) Accumulate “Waku-Waku" and use it for various membership benefits

Centralized management of physical store and online customer information



しまむら オンラインストア

アベイル オンラインストア

バースデイ オンラインストア

シャンブル オンラインストア

(1) Information distribution from customer information

Favorite characters　Favorite items

(3) “Waku-waku" membership service

Present your membership card at the time of purchase　Get “Waku-waku"　Exchange for tickets　Privileges for members

(2) Product inventory (color and size) search service

“Want a different color”　Scanning price tags on the sales floor　Check inventory at nearby stores　Go to the store that has the item in stock

13. Initiatives for ESG Issues ①

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Results of 1H (Environment)

▽ Hangers ... Complete recycling ratio was 52%. Cultivate new recycling sites.

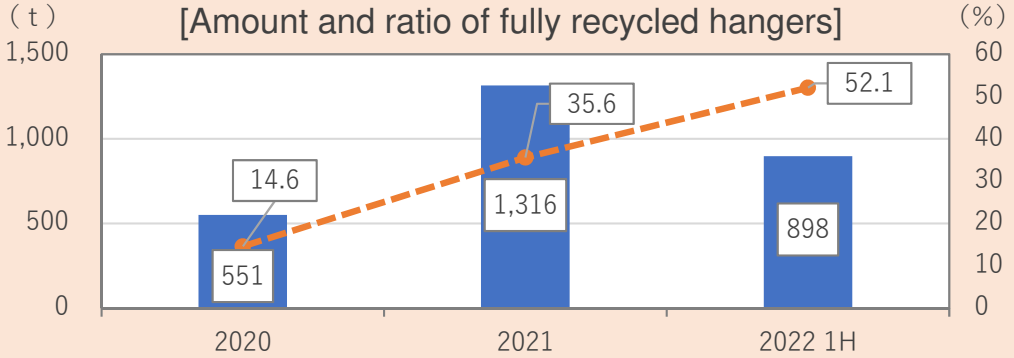
▽ Vinyl: Informed suppliers of operation rules. Research new recycling methods.

▽ Ratio of sustainable products was 23%. Informed suppliers of new standards and began implementing them.

▽ Continue to collect information on environmentally friendly stores and select experimental stores and facilities to be introduced.

[Developing new recycling bases (Kyushu, Chugoku, Shikoku)]

[Amount and ratio of fully recycled hangers]



[Expansion of sustainable products]

〔COTTON FROM USA〕

〔Suhada Suzuyaka Pants〕

[Kokochi Labo]

ORGANIC COTTON 100%

[REECOTTE]

13. Initiatives for ESG Issues ②

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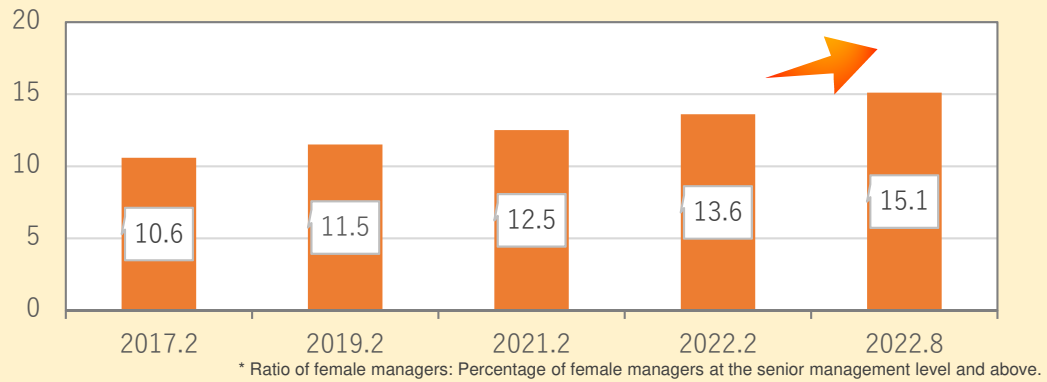
Results of 1H (Society)

▽ Percentage of female managers: 15.1%
"Expansion of regional manager candidate briefings"
"Expansion and dissemination of employment support measures"
"Rest room usage system for after-school care for school children"

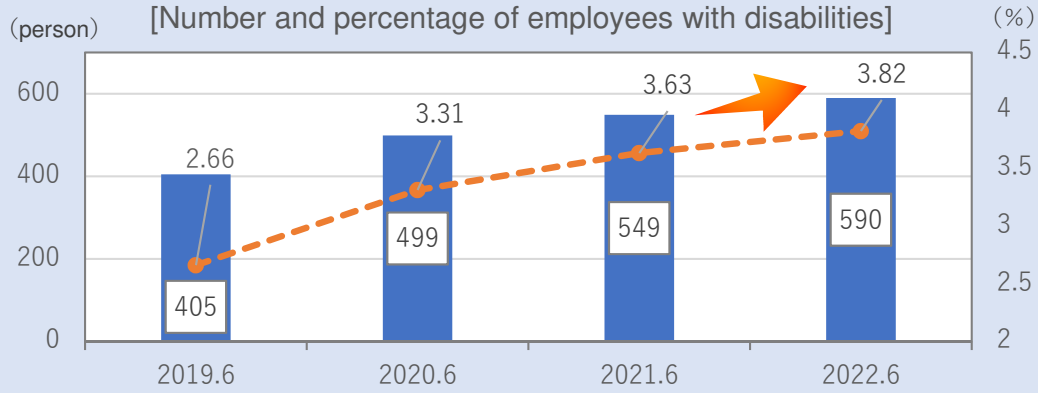
▽ Ratio of employees with disabilities: 3.8%.
"Promotion of acquisition of life consultation staff for persons with disabilities"
"Reduce the number of stores that do not employ people with disabilities"
"Cooperation with local support organizations for people with disabilities"

[Ratio of female managers]



* Ratio of female managers: Percentage of female managers at the senior management level and above.

[Number and percentage of employees with disabilities]



[Efforts to increase the number of female managers]

〔Posters for rest rooms〕

〔Rest room usage by children〕

〔Briefing for manager candidates〕

13. Initiatives for ESG Issues ③

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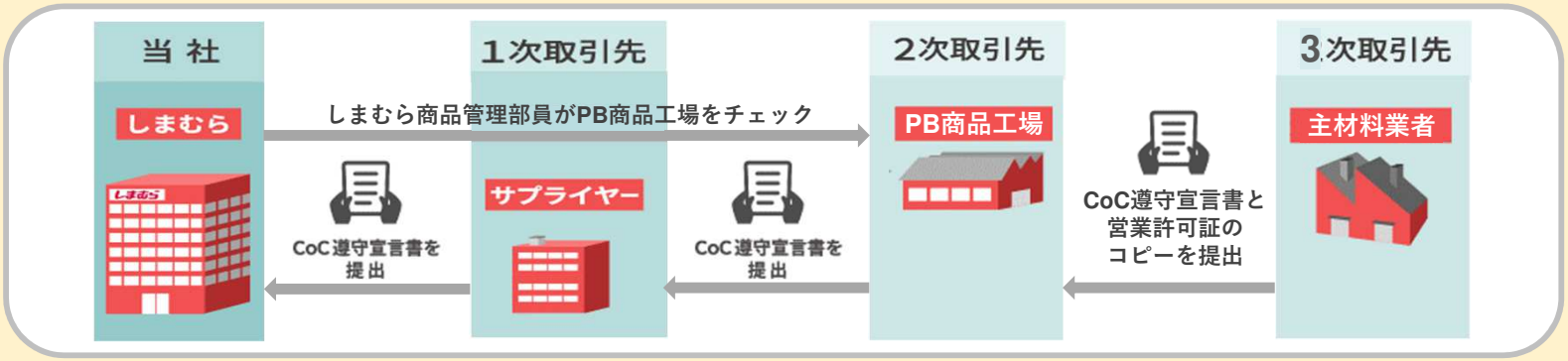
Initiatives for 2H

*CoC: Code of Contact

▽ Establish a check system at production sites in line with "Supplier CoC".
Human rights: upstream of the supply chain / Environment: concretization of checking methods, TCFD compliance.

▽ Establish "Clothing Infrastructure Promotion Team". Promote commercialization of support for vulnerable shoppers.
Accumulate know-how through continuous sales trips to various facilities, and create a scheme to turn the business profitable.

[CoC compliance check system for supply chain (PB products)]



[Calculation and disclosure of GHG emissions]

〔Under study〕 〔Disclosed〕 〔Under study〕

[Business trip sales]

[Sales]

14. Risk Factors and Responses

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Response to rising purchasing costs

1） Results for 1H

①The markup rate was slightly lower than last year, but gross profit was secured by restrained price reduction.

②High-priced products such as PB"CLOSSHI PREMIUM are selling well.

③Experimental introduction of a new price range in some products to achieve good results.

2） Response in 2H

①Secure markup rate by revising price range

- Introduction of new price range. Prices are reviewed or left unchanged depending on the product.
  Increasing prices also improves quality, functionality, and design.
- Maintain prices for PB"CLOSSHI and other established products as much as possible.
- Decrease the mix of low-priced products and special prices, and gradually increase the mix of high-priced products.

②Continue measures to curb increases in purchasing costs

- Use of factories during quiet periods.
- Review of producing countries.
- Promote fabric and line contracts in collaboration with suppliers.

③Appropriate inventory control and lower inventory levels continue to be controlled

15. Consolidated Business Forecasts for FY2/23

▽ Sales are expected to increase by 3.9% YoY, operating income are expected to increase by 5.3% YoY .
▽ Annual dividends per share are expected to be 250 yen (up by 10 yen).

* There is no change from the announcement of financial results on April 4 (Million yen/%)

	FY2/23 Forecast	YoY	Ratio to sales	FY2/22 Result	Ratio to sales
Net sales	606,608	103.9	100.0	583,618	100.0
Gross profit	207,363	104.2	34.2	198,930	34.1
SG&A	156,619	104.0	25.8	150,663	25.8
Operating income	52,058	105.3	8.6	49,420	8.5
Ordinary income	52,998	104.8	8.7	50,567	8.7
Net income attributable to owners of parent	37,197	105.0	6.1	35,428	6.1
Net income per share	1012.16 yen	–	–	964. 04 yen	–
Dividend per share	250 yen	–	–	240 yen	–

16. FY2/23 Store Opening/Closing Plan

▽ Against the initial plan, the Group opened ▲12 stores and closed ▲2 stores.
▽ Due to a decrease in unprofitable stores, the number of stores closed was 14 stores compared to 16 stores in Initial plan.
▽ Maintain100 store openings during the medium-term management plan (FY2021-FY2023).

Business	Opening		Closing		End-FY2/23 Number of stores (Plan)
	Initial plan	Revised plan	Initial plan	Revised plan	
Shimamura	8	3	6	6	1,418
Avail	4	2	5	3	313
Birthday	9	5	2	2	313
Chambre	13	12	2	1	113
Divalo	1	1	0	0	16
Shimamura (non-consolidated)	35	23	15	12	2,173
Si meng le (Taiwan)	0	0	1	2	40
Shimamura (consolidated)	35	23	16	14	2,213

17. Information Disclosure

Financial Results Materials (Disclosed on the corporate website)

- ▽ Financial Results Briefing Materials (with comments): October 4 (Tuesday)
- ▽ Summary of Financial Results: October 4 (Tuesday)
- ▽ Financial Results (Summary of Question and Answer Session): October 5 (Wednesday)
- ▽ Financial Results Briefing (English version): October 6 (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.