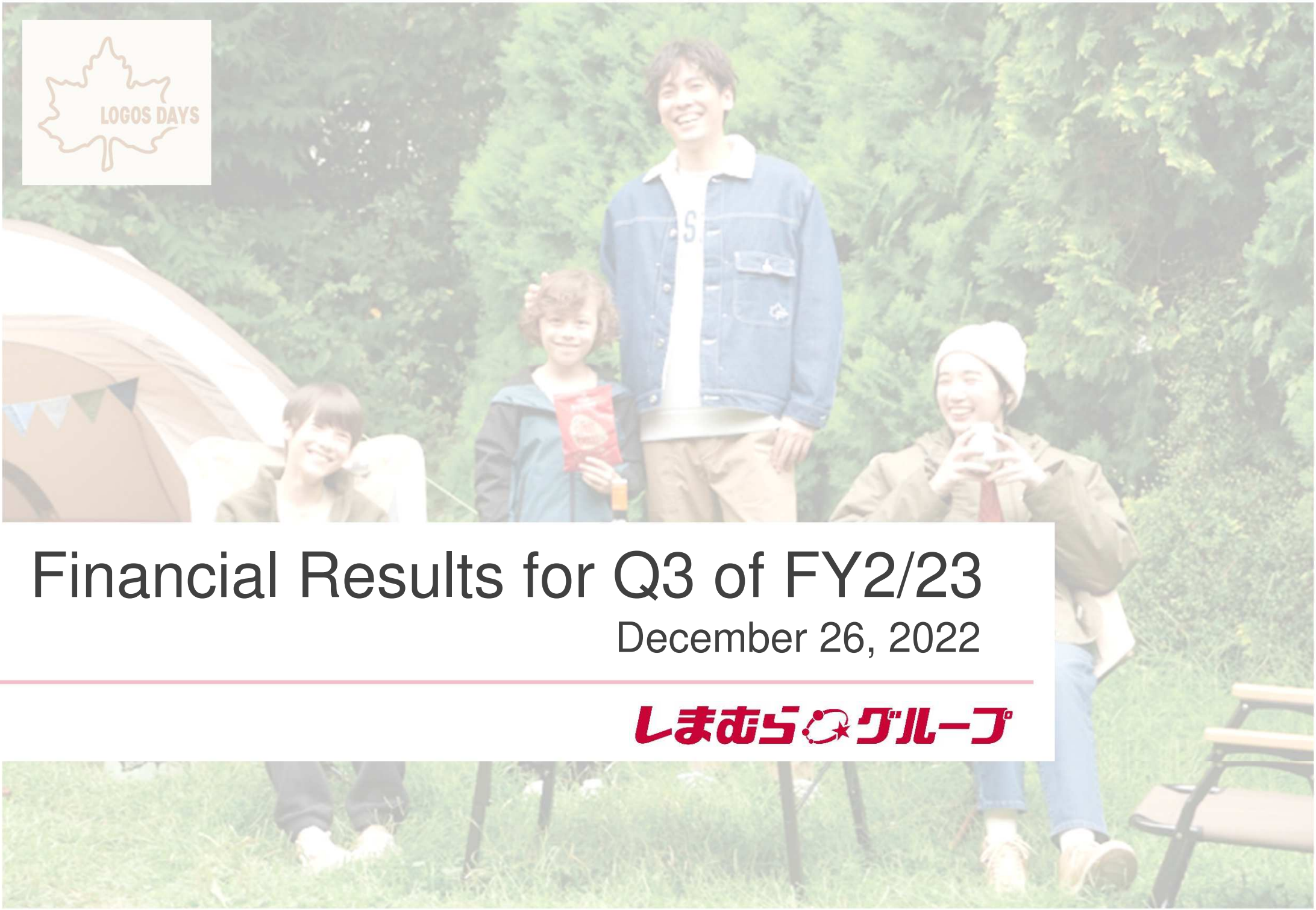

Financial Results for Q3 of FY2/23

December 26, 2022

しまむらグループ

1. Consolidated Results: Income Statement

▽Sales increased by 6.2% YoY. Record-high sales for Q3 alone and for the nine months period.
▽SG&A to sales ratio was 25.1% (▲0.5ppt. YoY). Controlled expenses by improving the efficiency of advertising and promotion activities.
▽Operating income was 44.5 billion yen (9.6% YoY). Record-high income for Q3 alone and for the nine months period.

(Million yen/%)

	FY2/23 Q3	Ratio to sales	YoY	FY2/22 Q3	Ratio to sales	YoY
Net sales	463,903	100.0	106.2	436,817	100.0	108.0
Gross profit	159,800	34.4	106.6	149,870	34.3	108.6
SG&A	116,308	25.1	103.9	111,911	25.6	104.1
Operating income	44,547	9.6	114.9	38,785	8.9	124.5
Ordinary income	45,527	9.8	114.6	39,729	9.1	124.3
Net income attributable to owners of parent	31,711	6.8	117.8	26,926	6.2	124.9
Net income per share	862.86 yen	–	–	732.70 yen	–	–

2. Sales by Business

▽Domestic sales increased by 6.1% YoY due to the further enhancement of brand power, development of new influencer projects and character products, diversification of sales promotion methods, and regional response.

▽In Si meng le (Taiwan), sales of autumn/winter products were sluggish due to two typhoons and high temperatures for consecutive days.

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

Business	FY2/23 Q3	Composition ratio	YoY	FY2/22 Q3	Composition ratio	YoY
Shimamura	346,456	74.7	105.1	329,489	75.4	107.3
Avail	45,461	9.8	112.5	40,413	9.3	109.3
Birthday	56,004	12.1	105.6	53,058	12.1	111.8
Chambre	10,781	2.3	113.1	9,533	2.2	112.0
Divalo	571	0.1	116.0	492	0.1	95.8
Shimamura (non-consolidated)	459,276	99.0	106.1	432,988	99.1	108.1
Si meng le (Taiwan)	4,627	1.0	120.8	3,829	0.9	99.3
Shimamura (consolidated)	463,903	100.0	106.2	436,817	100.0	108.0

3. Consolidated Results: SG&A Expenses

▽ Personnel expenses: Increased by 5.7% YoY due to a wage increase in spring. It has been incorporated into the plan.
▽ Advertising expenses: Ratio to sales was 1.9%, controlled by the expansion and diversification of digital sales promotions.
▽ Equipment cost: Utilities expenses rose by 25.9% due to a rise in electricity charges. Rents were restrained.

(Million yen/%)

	FY2/23 Q3	Ratio to sales	YoY	FY2/22 Q3	Ratio to sales	YoY
Salary	48,910	10.5	105.2	46,506	10.6	104.4
Total personnel expenses	57,433	12.4	105.7	54,322	12.4	103.8
Advertising expenses	8,604	1.9	98.8	8,712	2.0	110.6
Total selling expenses	14,131	3.0	102.7	13,766	3.2	109.5
Supplies and display equipment	1,624	0.4	96.1	1,690	0.4	102.5
EDP expenses	1,390	0.3	133.4	1,042	0.2	92.4
Total operating expenses	6,358	1.4	101.6	6,256	1.4	105.1
Rents	24,535	5.3	99.7	24,612	5.6	98.8
Depreciation and amortization	4,416	1.0	99.6	4,434	1.0	108.9
Total equipment cost	34,840	7.5	102.2	34,104	7.8	101.8
Total general expenses	3,545	0.8	102.4	3,461	0.8	109.7
Total SG&A expenses	116,308	25.1	103.9	111,911	25.6	104.1

4. Consolidated Results: Balance Sheets

▽ Assets: Cash and deposits, accounts receivable, and valuable securities increased by 11.7% YoY.

▽ Liabilities: Mainly in accrued income tax and accrued consumption tax increased.

(Million yen/%)

	End-Nov. 2022	Composition ratio	YoY	End-Nov. 2021	Composition ratio
Current assets	344,442	66.8	111.8	308,041	64.0
Noncurrent assets	171,482	33.2	99.1	173,074	36.0
Total assets	515,925	100.0	107.2	481,115	100.0
Current liabilities	72,507	14.0	104.8	69,188	14.4
Noncurrent liabilities	9,764	1.9	105.6	9,244	1.9
Total liabilities	82,272	15.9	104.9	78,433	16.3
Total shareholder's equity	430,129	83.4	107.8	399,098	83.0
Accumulated other comprehensive income	3,523	0.7	98.3	3,584	0.7
Total net assets	433,652	84.1	107.7	402,682	83.7
Total liabilities and net assets	515,925	100.0	107.2	481,115	100.0

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

▽ Increase in existing stores sales: Strengthened product appeal and sales power. Continued individual response to each region and store.

▽ Increase in number of customers: Influencer projects, character products, and new category products performed well. Diversification of sales promotion has also improved information dissemination.

▽ Increase in unit price per item: Shifted to a new price range, expanded higher price range products, and curbed price reductions.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	1H	105.0	104.5	102.3	100.9	102.1	101.1
	Q3	106.7	106.4	101.5	99.0	104.9	105.9
	Q3 (cumulative)	105.6	105.1	102.0	100.3	103.1	102.7
Avail	1H	112.6	111.6	108.2	101.9	103.1	101.2
	Q3	115.0	114.2	108.4	100.0	105.4	105.4
	Q3 (cumulative)	113.5	112.5	108.3	101.2	103.9	102.7
Birthday	1H	103.5	106.4	102.3	103.6	104.0	100.4
	Q3	102.8	104.1	97.6	98.7	106.6	108.0
	Q3 (cumulative)	103.2	105.6	100.7	101.8	104.9	103.0

6. Gross profit, Price Reduction, Inventory YoY

▽ Gross profit：By shifting to the new price range, the decline in the markup rate is kept down to secure gross profit.

▽ Price reduction：Curbed price reductions through appropriate inventory control and short-term production.

▽ Inventory：Within the appropriate range for inventory volume, up 4.1% YoY.

（%/pt）

Business	Period	Gross profit			Price reduction			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	1H	104.3	33.5	−0.1	81.7	5.9	−1.6	102.8
	Q3	107.0	33.4	+0.2	88.3	6.4	−1.3	110.7
	Q3 (cumulative)	105.2	33.5	+0.0	84.1	6.1	−1.5	105.5
Avail	1H	115.2	38.7	+1.2	91.4	14.1	−3.1	99.8
	Q3	114.9	39.0	+0.2	101.9	13.7	−1.7	110.5
	Q3 (cumulative)	115.1	38.8	+0.9	94.7	14.0	−2.6	103.5
Birthday	1H	105.5	35.0	−0.3	93.2	3.9	−0.6	113.4
	Q3	104.4	35.7	+0.1	73.8	2.9	−1.2	114.3
	Q3 (cumulative)	105.1	35.3	−0.1	86.6	3.6	−0.8	113.7

7. Shimamura Business ①

Strengthening product appeal

▽Further enhancement of brands: Further enhancement of brands: Composition of in-house brands was 30.8% (PB (including FIBER) + JB)

PB sales increased by 14.8% YoY (Q3 cumulative), launching sustainable products in PB.

▽Rebranded a high-performance product "FIBER HEAT". Sales of underwear and socks were strong.

▽Expansion of high-priced brand "CLOSSHI PREMIUM". Sales increased by about 2 times YoY (Q3 cumulative).

Further enhancement of the private brand “CLOSSHI”

"Rakutto!" series "Easy Clean Knits"

"FIBER HEAT", a high-performance product brand

Turtleneck T-shirt

Warm Inner

Expansion of "CLOSSHI PREMIUM"

Light-weight down jackets in the functional brand "10FUNCTIONS"

Brushed lining innerwear in the "Dan PREMIUM"

Initiatives for Sustainability

"Good Earth Day" Nov. 9 issue

Introducing "Shima-Eco" in video streaming

7. Shimamura Business ②

Strengthening product appeal

▽Improvement of JB's planning capability: JB ratio was 8.6%, and JB sales increased by 8.5% YoY (Q3 cumulative).

▽Urban area stores: New influencers are also actively recruited to offer coordinated proposals.

▽Character products: Commercialized products by analyzing social medias and by capturing popularity through meetings.

▽New category products: Developed new customers by introducing cooking appliances, golf-related products, etc.

SEASON REASON: 2nd anniversary

Expand influencer collaboration

yumi

Ui Mihara

Yuri Okada

Expansion of new category products

Korean sweets

Chihiro Kondo "The Correct Coordination"

"Vest + colored pants"

"Knitwear + narrow skirt"

Planning of popular characters

SPY × FAMILY

Kirby

Storage goods

Golf-related products

7. Shimamura Business ③

Strengthening sales power

▽Diversification and use of digital sales promotions: 18 web advertisements (up 5 from Q3 of last year)

・The video shows the functionality of the PB products, trendy products, and the major event of the year, the Grand Opening Festival.

・Diversification of promotional channels such as LINE, Instagram, and YouTube, etc. Social media subscribers: Approx. 33 million.

▽Optimized the balance between newspaper inserts and web flyers. Cost-effectiveness is improving.

Further use of web advertisements.

Teen trends "The Correct Coordination"

Introduction of "Super Value Items" at the Founding Festival

Expansion of digital sales promotion

Expansion of information dissemination

Invitation to Model Experience

Gift campaign

Live commerce

Disseminating trend information through the "Shima Suta"

Use of flyer inserts and the web ads

Effective use by each store "Sep. 15 issue"

7. Shimamura Business ④

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Strengthening sales power

▽Strengthen individual response to each store and region.

・280 stores in urban areas: Sales increased by 7.7% YoY (Q3 cumulative) thanks to exclusive products and flyers.

・Okinawa: Sales increased by 19.2% YoY through expansion of autumn products (Q3 cumulative). Response to Hokkaido was also favorable.

▽Optimization of sales floor: To improve the ease of buying, underwear was moved to the gondola display and socks were moved to a flat stand display.

Flyers exclusively for urban area stores

Okinawa-limited flyer "Oct. 12 issue"

Women's underwear was moved to the gondola display

Influencer projects exclusively for urban areas

nozomi

omi

Hokkaido-limited distribution ads and exclusive leaflets

LINE distribution

Limited flyer "Oct. 26 issue"

Men's socks were moved to a flat stand display

8. Avail Business

Strengthening product appeal and sales power

▽Strengthening of trend proposals: JB ratio was 38.0% (Q3 cumulative). Utilization of short-term production, expansion of priority sales products, and launch of new campaigns such as Halloween.

▽Expansion of character products: Ratio of character products was 16.0%, and the sales was about twice YoY (Q3 cumulative).

▽Response for urban areas (30 stores): Products and flyers exclusive for these stores. Sales increased by 16.8% YoY (Q3 cumulative).

Monthly JB feature flyer

Popular limited-edition character campaign

Flyers exclusively for urban area stores

JB Halloween project

Special feature of mascot costume party

Strong sales of new category products

Strong sales of blankets and other bedding-related products

Social media promotion exclusively for urban area stores

Ad distribution utilizing Instagram stories

9. Birthday Business

Strengthening product appeal and sales power

▽Expansion of JB products: JB ratio was 26.3%, sales increased by 30.7% YoY (Q3 cumulative). Strong sales of "Cottoli" for newborns, "rabyraby" for school kids, and large child-care products.

▽PB "Birthday PLUS": Expansion of product development focusing on materials, functions, and production areas.

▽Use of digital sales promotions: Utilization of Instagram live streaming and online stores.

Expansion of targets through new JB

Responding to newborn and gift demand "Cottoli"

New JB "rabyraby" for junior school kids

JB × "Combi" Large child-care products

"Cottoli"

"tete a tete"

Expansion of social media sales promotion (Instagram Live)

"Kumikki × Inu-jirushi Honpo"

"Mom Collaboration Project"

Expansion of PB products with focus on functions and materials

Online sales of catalog products

10. EC Business

Expand EC business and improve convenience

▽Forecast 4 billion yen of sales for the full year: Progressed according to plan as the product lineup matched to the characteristics of each of the 4 businesses. Online sales limited influencer projects, character products, and regional-specific products performed well.

▽Use of digital sales promotions: Distribution of Instagram live using internal studios.

▽Respond to expand sales: Started EC supplier delivery by suppliers and improved delivery efficiency.

Strong sales of limited products and pre-order sales

しまむら オンラインストア

omi

Yunkoro

アベイル オンラインストア

DEAD BY DAYLIGHT

バースデイ オンラインストア

Snow goods for exclusive use in snowy areas

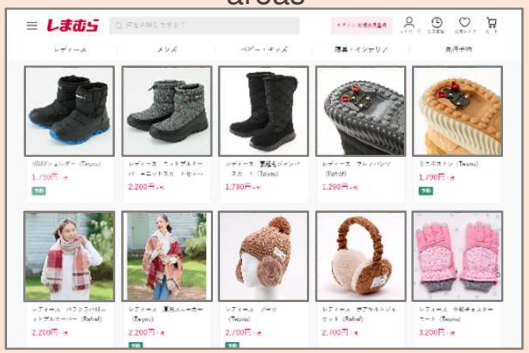
シャンブル オンラインストア

"mofusand" character products

Video distribution from in-house studios

Live commerce by Rina Chishima

Snow goods for exclusive use in snowy areas



Started EC supplier delivery

Pre-order products

Transfer Center

Transfer Center

EC Center

Shortening delivery time

Store

Normal delivery route

EC supplier delivery route

11. Promotion of DX

Improve services and utilize data through the "Customer Management System“

▽Issuance of digital membership cards: Centralized management of e-commerce and physical store members. 1.86 million members.

▽Enhancement of membership benefits: Increase customer contact points to improve long-term customer satisfaction.

▽Product inventory search service: Reduce lost sales opportunities by improving customer convenience.

▽Utilization of client information: For BtoC marketing, product development, store opening development, etc.

Membership service launched on Nov. 16

Membership benefits
(improve customer satisfaction)

Pre-orders for online sales products

Published in "Shima Pato"

Ticket design creation

Birthday video for customers

Launched inventory search service

Color and size searches

Increase convenience
by diversifying purchasing methods

Ordering to stores

Visit nearby stores

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Purchase at the online store

Use of Customer Management System

Direct marketing based on customer information

Develop and evolve products based on purchasing information

Easy-to-buy shops based on combined buying information

Use leaflets for distribution areas and store development

12. Store Opening Policy

Promote development of highly profitable stores

▽Promote relocation of existing stores / Shimamura Kumano Store: Sales increased by 19% YoY (Q3).

▽Promote the opening of stores in the fashion mall (FM) format, which combines some businesses.
⇒ Revitalize same-store sales in suburban areas and increase customer attraction through mall formats.

▽Strengthen store openings in urban areas

▽In the Shimamura business, expand store openings with a sales floor area of 1,300 ㎡

Shimamura Kumano Store (Hiroshima Prefecture)
Opened in April 2021

Open in shopping centers such as supermarkets and home centers

Shimamura Matsusaka Minami FM Store (Mie Prefecture)
Opened in June 2022

Toward a fashion mall format with the Chambre business

13. Risk Factors and Responses

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Response to increase in purchase cost

▽ **Results for Q3**

①**Although the markup rate is lower than the previous year, we will secure gross profit by shifting to the new price range and curbing price reductions.**

Unit price of Shimamura business: Increased by 5.9% YoY (Q3)

②**Shrinked the low-price range products. Expanded high-price range product sales generally remained favorable.**

PB "CLOSSHI PREMIUM": Sales were approx. 2 times (Q3 cumulative)

③**Sales of products shifted to new price range generally performed well.**

▽ **Future Responses**

①**Continue to follow the Q3 policy regarding our approach to pricing.**

・Maintain high-volume price ranges for standard products such as PB “CLOSSHI” as much as possible.

・Reduce composition ratio in the low-price range and expand the ratio in the high-price range.

・Some products have shifted to a new price range after improving quality, functionality, and design.

②**Continue to promote measures to curb increases in purchasing costs**

・Contracts for fabrics and production lines and the planned use of short-term and long-term production.

・Promote review of producing countries, such as shifting to other than China (ASEAN, etc.).

14. 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	–

15. Information Disclosure

Financial Results Materials (Disclosed on the corporate website)

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

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.