Financial Results for FY2/23 and Long-term Management Plan

April 4, 2023

しまむらグループ

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1. Consolidated Results: Income Statement

▽ Sales increased by 5.6% YoY. Record-high for Q4 alone and for the full year.
▽ SG&A to sales ratio was 25.6% (▲ 0.2 ppt. YoY). Controlled expenses by improving the efficiency of advertising and promotion activities.
▽ Operating income was 53.3 billion yen (8.7% rate). Record-high income for the full year.

(Million yen/%)

	FY2/23	Ratio to sales	YoY	1H	YoY	2H	YoY
Net sales	616,125	100.0	105.6	301,348	105.9	314,777	105.3
Gross profit	209,996	34.1	105.6	103,733	106.2	106,262	104.9
SG&A	158,088	25.6	104.9	75,516	103.6	82,572	106.1
Operating income	53,302	8.7	107.9	28,919	114.1	24,382	101.3
Ordinary income	54,383	8.8	107.5	29,680	114.9	24,702	99.9
Net income attributable to owners of parent	38,021	6.2	107.3	20,620	118.3	17,400	96.7
Net income per share	1,034.57円	–	–	561.08円	–	–	–

2. Sales by Business ①

▽ Domestic sales rose by 5.4% YoY through enhancement of brand power, expansion of influencer projects and character products, diversification of sales promotion methods, and regional response.
▽ In Si meng le (Taiwan), we reinforced product and sales capabilities against external factors to achieve an operating surplus.

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

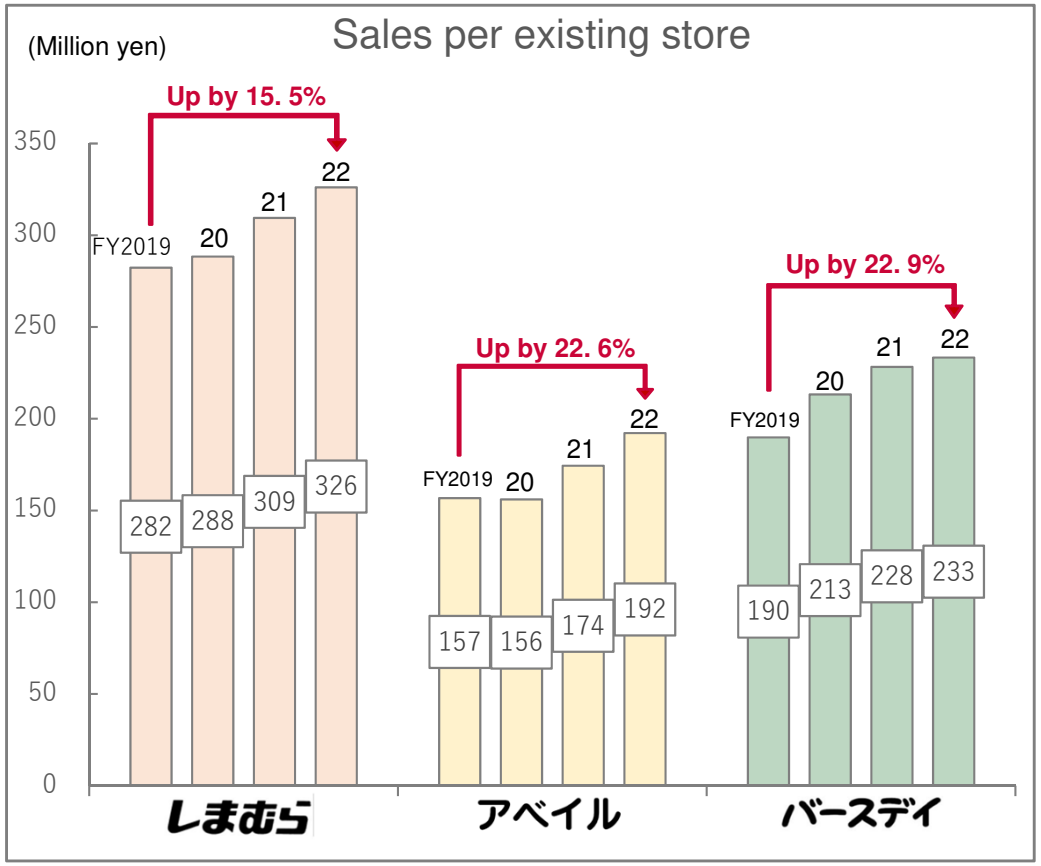
Business	FY2/23	Composition ratio	YoY	1H	YoY	2H	YoY
Shimamura	461,655	74.9	104.9	225,192	104.5	236,463	105.3
Avail	60,005	9.7	110.2	29,585	111.6	30,420	108.9
Birthday	72,313	11.7	104.0	35,948	106.4	36,365	101.8
Chambre	14,649	2.5	110.4	7,219	114.1	7,429	107.0
Divalo	751	0.1	115.8	378	109.3	372	123.2
Shimamura (non-consolidated)	609,376	98.9	105.4	298,324	105.6	311,051	105.3
Si meng le (Taiwan)	6,749	1.1	119.9	3,023	142.4	3,725	106.3
Shimamura (consolidated)	616,125	100.0	105.6	301,348	105.9	314,777	105.3

2. Sales by Business ②

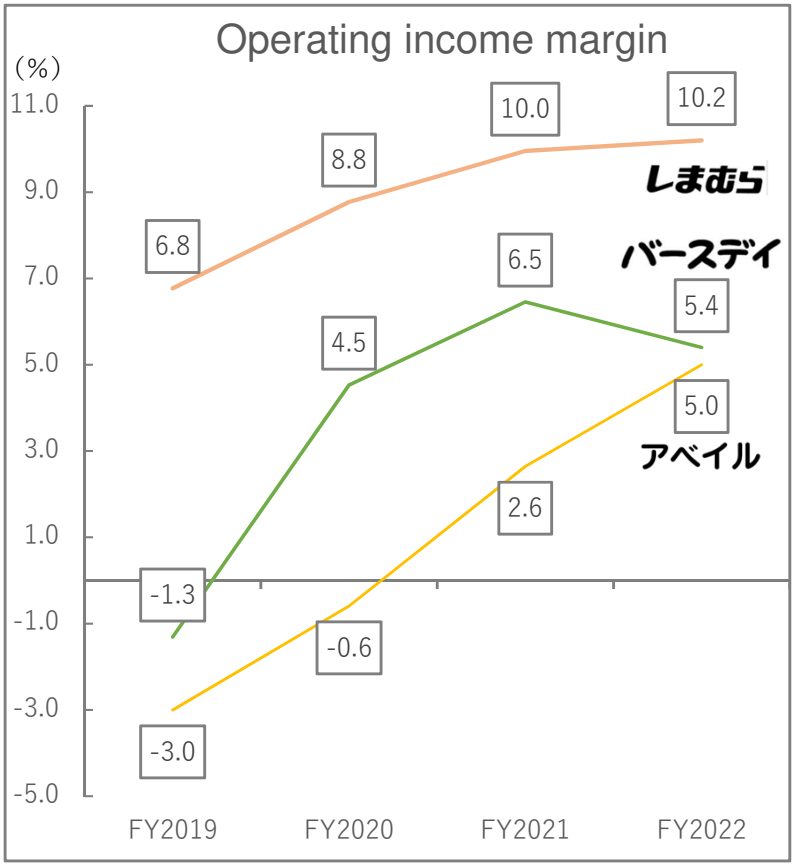
▽ In the 3 core businesses, sales per existing-store rose further.

▽ Net sales per existing-store rose to about 320 million yen in the Shimamura business, and rose to about 190 million yen in the Avail business. The operating income margin rose to 5.0% in the Avail business.

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



*Calculation method: Annual sales at existing stores/Number of stores at the end of the period



*Calculation method: Operating income for each business is allocated to the head office and logistics center expenses.

3. Consolidated Results: SG&A Expenses

▽ Personnel expenses: Increased by 5.8% YoY due to wage increases in April. Year-end bonuses are also paid in 4Q.
▽ Advertising expenses: Ratio to sales was 1.9%, restrained by the expansion of digital sales promotions.
▽ Facilities expenses: Utility expenses rose by 29.1% due to an increase in electricity prices. Rent was restrained.

(Million yen/%)

	FY2/23	Ratio to sales	YoY	FY2/22	Ratio to sales	YoY
Salary	66,904	10.9	105.4	63,499	10.9	102.6
Total personnel expenses	78,580	12.8	105.8	74,282	12.7	102.3
Advertising expenses	11,626	1.9	100.0	11,620	2.0	101.2
Total selling expenses	19,235	3.1	103.6	18,564	3.2	103.5
Supplies and display equipment	2,056	0.3	98.4	2,089	0.4	100.2
EDP expenses	2,178	0.4	140.4	1,551	0.3	103.3
Total operating expenses	8,603	1.3	105.4	8,165	1.4	106.9
Rents	32,678	5.3	99.6	32,797	5.6	98.7
Depreciation and amortization	5,891	1.0	99.7	5,911	1.0	108.0
Total equipment cost	46,939	7.6	103.8	45,215	7.7	101.3
Total general expenses	4,730	0.8	106.6	4,436	0.8	105.5
Total SG&A expenses	158,088	25.6	104.9	150,663	25.8	102.5

4. Consolidated Results: Balance Sheets

▽ Assets: Cash and deposits + Accounts receivable + Marketable securities up by 12.5% YoY.
▽ Liabilities: Accounts payable decreased due primarily to higher income taxes payable and accrued consumption taxes.

(Million yen/%)

	End-FY2/23	Composition ratio	Compared to the end of the previous year	End-FY2/22	Composition ratio
Current assets	332,416	66.1	109.8	302,626	63.7
Noncurrent assets	170,135	33.9	98.8	172,184	36.3
Total assets	502,552	100.0	105.8	474,811	100.0
Current liabilities	52,498	10.4	96.4	54,433	11.4
Noncurrent liabilities	10,005	2.0	106.6	9,382	2.0
Total liabilities	62,503	12.4	97.9	63,815	13.4
Total shareholder's equity	436,434	86.9	107.1	407,595	85.9
Accumulated other comprehensive income	3,614	0.7	106.3	3,399	0.7
Total net assets	440,048	87.6	107.1	410,995	86.6
Total liabilities and net assets	502,552	100.0	105.8	474,811	100.0

5. Same-store Sales, Number of Customers, Unit Price (YoY)

▽ Growth in same-store sales: Continued to strengthen product appeal and sales power, work to meet regional and individual store needs.
▽ Increase in number of customers: Influencer projects, character products, and new categories performed well. Information dissemination capabilities improved due to diversification of sales promotions.
▽ Increase in price per product: Shifted to a new price range, expanded high price range products, and restrained discounts.

(%)

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
	2H	105.5	105.3	100.2	98.7	105.1	106.5
	Full-year total	105.3	104.9	101.3	99.7	103.6	103.9
Avail	1H	112.6	111.6	108.2	101.9	103.1	101.2
	2H	109.8	108.9	103.9	99.6	104.8	105.2
	Full-year total	111.2	110.2	106.1	100.8	103.9	103.1
Birthday	1H	103.5	106.4	102.3	103.6	104.0	100.4
	2H	101.0	101.8	95.7	97.4	106.4	109.2
	Full-year total	102.2	104.0	99.0	100.5	105.1	104.6

6. Gross profit, Price Reduction, Inventory YoY

▽ Gross profit: Secured gross profit by reducing discounts by shifting to the new price range.

▽ Discounts: Appropriate inventory control and the use of short-term production to restrain price discounts.

▽ Inventory: The number of inventory declined at an appropriate level by 1.8% YoY (Shimamura).

（%、pt）

Business	Period	Gross profit			Discount			Inventory
		Gross Profit YoY	Gross margin	YoY	Discount price YoY	Discount rate	YoY	Inventory YoY
Shimamura	1H	104.3	33.5	－0.1	81.7	5.9	－1.6	102.8
	2H	105.1	32.9	±0.0	94.2	6.3	－0.7	108.6
	Full-year total	104.7	33.2	±0.0	87.9	6.1	－1.2	105.7
Avail	1H	115.2	38.7	＋1.2	91.4	14.1	－3.1	99.8
	2H	106.9	38.4	－0.7	109.0	14.0	±0.0	109.8
	Full-year total	110.8	38.5	＋0.2	99.5	14.1	－1.5	104.8
Birthday	1H	105.5	35.0	－0.3	93.2	3.9	－0.6	113.4
	2H	101.7	33.8	±0.0	82.4	4.7	－1.1	111.9
	Full-year total	103.6	34.4	－0.2	87.0	4.3	－0.8	112.6

7. Shimamura Business①

Strengthening product appeal

▽ Further enhancement of brands: Composition of in-house brands was 31.5% (PB 23. 6%+JB 7.9%). PB sales increased by 19% YoY. Sales of the “CLOSSHI PREMIUM” roughly doubled YoY.

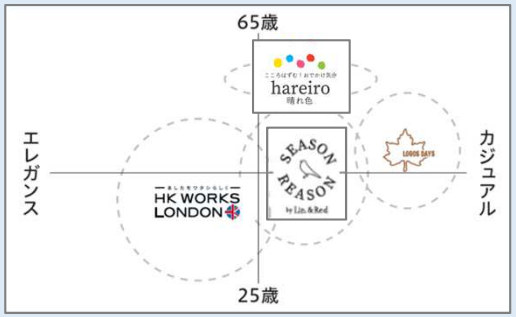
▽ Improvement of JB's planning capability: JB sales increased by 4.7% YoY. Expanded new JB and product lineup.

▽ Character products: Social media analysis to identify selling trends and customer needs and commercialize them.

Reinforcing the development of “CLOSSHI” products

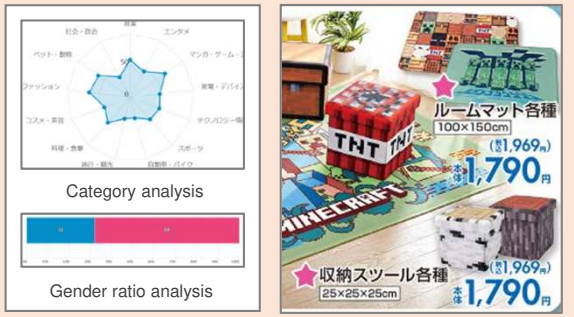
“ON DEMO OFF DEMO! / WITH BI / FIBER series”

Established position in women’s wear JB



"SEASON REASON" with expanded assortment and new JB "hareiro"

Data analysis for character products



Expansion of planning and merchandises to meet customer needs

Expansion of “CLOSSHI PREMIUM”

“Easy care and clean knitwear / Premium down / THE SUPER COOL”

Expansion of influencer projects

"the Correct Coordination”

yumi

Expansion of new categories

Beauty appliances

Golf-related products

7. Shimamura Business②

Strengthening sales power

▽ Utilization and diversification of digital sales promotion: Web commercial: 45/+12 YoY (cumulative total). Utilized multiple media such as LINE/YouTube/Twitter. Social media followers: Approx. 34 million.

▽ Strengthened response to individual stores and regions: sales increased by 7.4% YoY at 280 stores in urban areas. Dedicated products and sales promotions are effective. The response of Okinawa, Hokkaido, and other snowfall areas is also favorable.

Further use of web commercial.

Introduction of the Happy Bag at the year-end sale.

Disseminating trends in "Shima Sta"

Grow into a tool for disseminating teens trends

Regional response: Okinawa, Hokkaido, snowfall areas

Area-limitation leaflets

Products and sales areas exclusively for snow and cold areas

Flexible use of digital sales promotion

LINE live

Live commerce

Campaign

Individual store response: Strengthen response in urban areas

nozomi

Dedicated products

Special section

"A sales floor where you can enjoy watching, touching and choosing."

Women's underwear is displayed in a gondola and men's socks are displayed on a flat displayed rack.

8. Avail Business

Strengthening product appeal and sales power

▽ Strengthening of trend proposals: JB ratio was 38.6%. New JB "Denifits" launched.
Strengthened proposals to coordinate wear and fashion goods by expanding the product lineup and changing the sales floor.

▽ Expansion of character products: Ratio of character products was 16.4%. Sales was about twice YoY.

▽ Response to urban stores (30 stores): Dedicated products/sales promotion. 2H sales up by 10.7% YoY.

JB: Coodination with wear x fashion accessories

Launch of new JB "Denifits"

Casual brand for customers in their 30s

Avail-limited character projects

Character meeting

Commercialize

Social media promotion

Flyers

Event sales area

【アベイル】10/1発売新作アイテム【クロミ化計画】

Total character planning proposal

Strong performance in new character categories

Bedding

Sweets

Stuffed toy

Stationery

Products and sales promotions exclusively for urban stores

JB leaflets exclusively for urban stores

Social media promotion

9. Birthday Business

Strengthening product appeal and sales power

▽ Expansion of JB products: JB ratio was 26.2%, sales increased by 24.9% YoY. Expanded product lineup and projects.

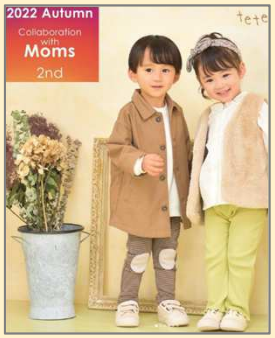
・Major JB: New project performed well. Large-scale baby care products performed well in collaborative projects with leading manufacturers.

・New JB: Expanded "Cottoli" brand for newborns and "rabyraby" for school kids.

▽ Acquisition of new customers: Expanded digital sales promotion. Reaching out to the prenatal and postpartum customer base.

Improve JB planning capabilities

"futafura" 10th anniversary project



"tete a tete" x Mama Voice

Expansion of targets through new JB

JB "Cottoli" for newbrons and gift section in front of cash registers

Strengthen digital promotions

Website video content

social media video advertising

JB×"Combi" large baby care products

"tete a tete": Birthday design products

Develop new customers up to 12 years old "rabyraby"

Measures to acquire new customers

"Happy-Note", baby magazine

"BabyPedia", maternity magazine

10. Chambre/Divalo Business

Strengthening product appeal and sales power

▽ Chambre Business: Sales up by 10.4% YoY. Strengthen proposals for JB coordinates.
"Gift Marche" received favorable reviews. Sales of wrapping materials are roughly 3 times YoY.

▽ Divalo Business: Strengthen suggestions for coodinates with shoes, clothing, and fashion goods.
Social media promotions also expanded.
Sales up by 15. 8% YoY. Opened a new model store with "shoes and clothes".

[Chambre]

Offer suggestions for JB coordinates

Promotion of JB total proposal-based sales floor

Show the brand image of individual JB on the sales floor

Sales promotions and sales floors linked to products

Strengthen proposals for "Gift Marche"

Expansion of suitable products for gifts

Seizing demand for gifts

[Divalo]

Suggestions for coordinates with shoes and clothes

Promote total coordinates in flyers

Special event section

Strengthen social media promotion

11. EC Business

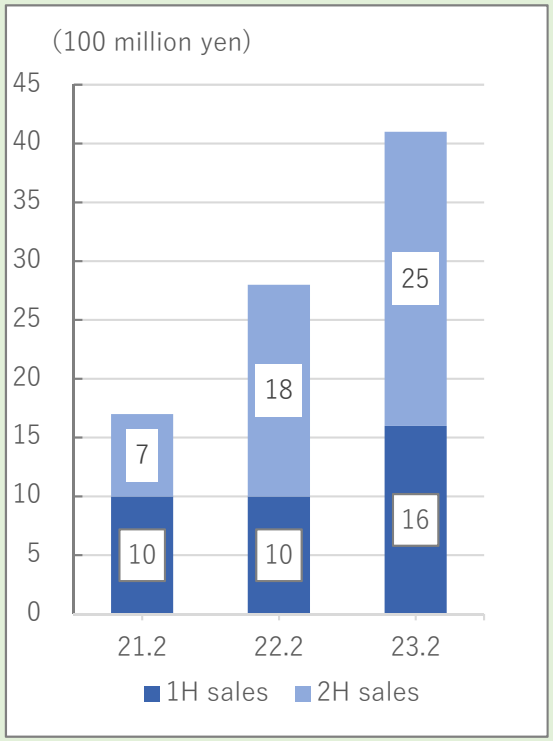
Expand EC business and improve convenience

▽ Full-year sales: 4.1 billion yen: Expand product lineup through 4 business development. Digital membership: 3,09 million.
EC limited influencer projects, character products, and regional-specific products performed well.

▽ Use of digital sales promotions: Insta-live streaming using an in-house studio.

▽ Respond to expand sales: Expand "EC supplier delivery" that does not go through EC centers.

Changes in EC sales.



Note: FY2/21 sales include “Shima Kore”

Strong sales of limited products and pre-order sales

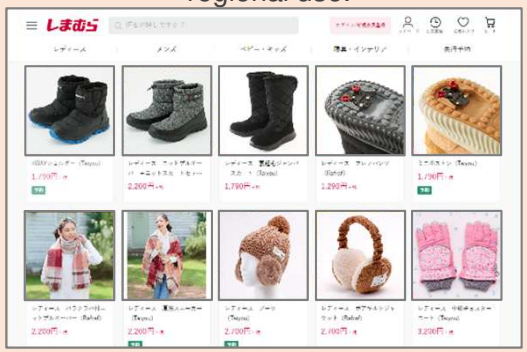
omi Yunkoro

DEAD BY DAYLIGHT

Snow goods for exclusive use in snowy areas

"mofusand" character products

Also handle products exclusively for regional use.



Video distribution from in-house studios

Live commerce by Rina Chishima

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12. FY2/24: Consolidated Business Forecasts ①

▽ Net sales: up by 3.1% YoY, Operating income: up by 2.4% YoY.
▽ Wage increase: Full-time employees 6.5% (5.6% in the previous fiscal year)/ Part-time employees 5.2% (4.6% in the previous fiscal year).
▽ Dividends per share: Annual dividends are expected to be 270 yen (up 10 yen).

(Million yen/%)

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

12. FY2/24: Consolidated Business Forecasts ②

▽ In all businesses, same-store sales and total store sales are expected to exceed the previous fiscal year.
Increase regional share by increasing customer numbers and increase sales per existing store.
▽EC Business: Net sales 5 billion yen (up 20.7% YoY). *Included in net sales of each business.

(%)

YoY	Existing stores	All stores		
Business	FY2/24	1H	2H	FY2/24
Shimamura	101.5	102.4	101.9	102.1
Avail	103.5	104.5	103.2	103.8
Birthday	103.6	105.4	108.1	106.8
Chambre	103.5	110.9	110.3	110.6
Divalo	101.5	105.8	107.3	106.4
Si meng le (Taiwan)	110.0	109.2	101.6	105.0

13. FY2/24: Management Policy

A unified theme "Re-Born Final Stage": "From Application to Completion"

▽ Having completed the stage of strengthening product and sales capabilities, and strengthening the foundation and infrastructure of the business, we will use the results and knowledge accumulated over the past three years to move on to the next stage.

Strengthening product appeal		▽ Promote the design and quality of **PB**, expansion of functionality, and creation of fresh and attractive products for **JB**. ▽ Continue topical initiatives for **character products and influencer projects.** ▽ Promote the acquisition of new customers by **expanding the number of items handled.**
Strengthening sales power		▽ Improvement of operational efficiency through **digitalization of sales floor creation** and upgrading of the sales floor to pursue further ease of purchase. ▽ Brush up **digital sales promotion** and optimize **sales promotion by target.** ▽ Consider product lineup and establish sales promotion methods according to **store classification**.
Strengthening the base and foundation	**Promotion of DX**	▽ Pursue **business transformation, operational simplification, and labor saving** through **DX**. (*1)
	Personnel development policy	▽ Encourage employees to step up through the use of the **education curriculum by position.**
	Response to the future	▽ The **EC business** uses a **customer management system** to enhance the sophistication of mutual customer transfers with physical stores. ▽ In **Divalo business, the new business model will refine** and developed in several stores.
	ESG activities	▽ Achieve **Medium-term Management Plan targets** (*2) for environmental, social, and governance issues.

*1: See P26-27 for specific initiatives.*2: For numerical targets, see P43.

13. FY2/24: Policy by Business①

A unified theme "Re-Born Final Stage": "From Application to Completion"

Shimamura	▽ **Strengthening product appeal** ・**PB** and **JB** expand their product lineup with higher-priced products one rank higher. ・**Character products and influencer planning** Improve the accuracy of demand forecasts by using social media analyses, and promote new planning and developing new product lines. ▽ **Strengthening sales power** ・Strengthen target-specific sales promotions using a **customer management system** and implement timely sales promotions tailored to climate, weather, and occasions. ・Expand robust **urban-specific measures** to 488 stores. (Name changed to "**Trend-type Stores**")
Avail	▽ **Strengthening product appeal** ・Improve **JB** product project, design, and quality. ・Strengthen **new product development** through social media analyses, market research, and sales promotion meetings. ▽ **Strengthening sales power** ・**Sophistication of JB's total fashion coordination sales floor** ・**Expand the total sales floor development of planned products** such as character products.
Birthday	▽ **Strengthening product appeal** ・**JB and PB** strengthen branding through coordinated proposals and improved quality. ・Improve product lineup for trend products, character products, and gift-compatible products. ▽ **Strengthening sales power** ・Expand original products for **childbirth, childcare products, and school supplies**. ・Create merchandise assortments and sales floors tailored to the characteristics of local communities and stores by disseminating information from stores.

13. FY2/24: Policy by Business②

A unified theme "Re-Born Final Stage": "From Application to Completion"

Chambre	▽ **Strengthening product appeal** ・Pursue a unique product lineup by brushing up **JB's wear** and rebranding **JB's general merchandise**. ・Develop **gift products and new character products.** ▽ **Strengthening sales power** ・Utilize **digital sales promotion** and digitize sales floor creation.
Divalo	▽ **Restart as a new business from the previous fiscal year (FY2022)** ・In the previous fiscal year, we **opened a new model store** with an increased emphasis on women's shoes and clothes. ▽ **Strengthening sales power and product appeal** ・In the current fiscal year, we will promote a product lineup and sales floor creation that is conscious of the **total coordination of shoes, wear and fashion goods.**
EC	▽ **Expand to 4 businesses** in the Group by launching Shimamura business in FY2020, Birthday business in FY2021, and Avail and Chambre business in FY2022. **Single-year operating income turned profitable.** ▽ Improved product lineup in all businesses this fiscal year. In order to expand the customer base, we also develop products that are limited to each region. Start "Personalized Recommendations" **utilizing the customer management base.** ▽ **Improve efficiency of EC center operations, and increased capacity for photographing, taking measurements, and drafting manuscripts.**
Si meng le (Taiwan)	▽ In the previous fiscal year (FY2022), the number of local Japanese employees in Taiwan was increased (currently one director and two general managers are stationed in Taiwan). Collaborate with local employees to improve product lineups, sales areas, and sales promotions. **Single-year operating income turned profitable.** ▽ This fiscal year, we will establish a product lineup and sales floor creation centered on **PB/JB of Japanese planning and PB of Taiwanese planning**. In sales promotions, digital-based promotions expanded. Arrange Japan's best practices into the Taiwanese style.

14. FY2/24: Store Opening/Closing Plan

▽ Our group plans to open 50 new stores, close 26 stores, with net increase of 24 stores.

▽ Increase the profitability of its stores by expanding relocation and FM format store openings.

Relocation: 11 stores, fashion malls: 19 stores (10 facilities)

Business	End-FY2/23 Number of stores	Planned opening stores	Planned closing stores	End-FY2/24 Number of stores (Plan)
Shimamura	1,418	16	14	1,420
Avail	313	5	5	313
Birthday	313	18	2	329
Chambre	113	9	3	119
Divalo	16	1	1	16
Shimamura (non-consolidated)	2,173	49	25	2,197
Si meng le (Taiwan)	40	1	1	40
Shimamura (consolidated)	2,213	50	26	2,237

15. FY2/24: Capital Investment Plan

▽ Annual capital expenditure of approx. 16.3 billion yen is planned, mainly in shop investment (opening new shops and renovation of existing shops).

▽ Land investment is planned to be about 6 billion yen mainly for store sites.

▽ The new Transfer Center in the Kansai area has already signed a property contract. Opening is expected to be around 2027.

(%)

Shimamura (non-consolidated)	Amount	Major breakdown
Buildings	7,520	Opening new stores, renovation of existing stores
Structures	1,110	Opening new stores, renovation of existing stores
Machinery and equipment	—	–
Equipment and vehicles	491	Opening new stores, existing stores (cash registers, security camera, etc.)
Land	6,000	Opening new stores
Construction in progress	482	Opening new stores
Net property, plant and equipment	15,603	
Guarantee deposits	657	Opening new stores
Leasehold rights	85	Opening new stores
Capital investments	16,345	

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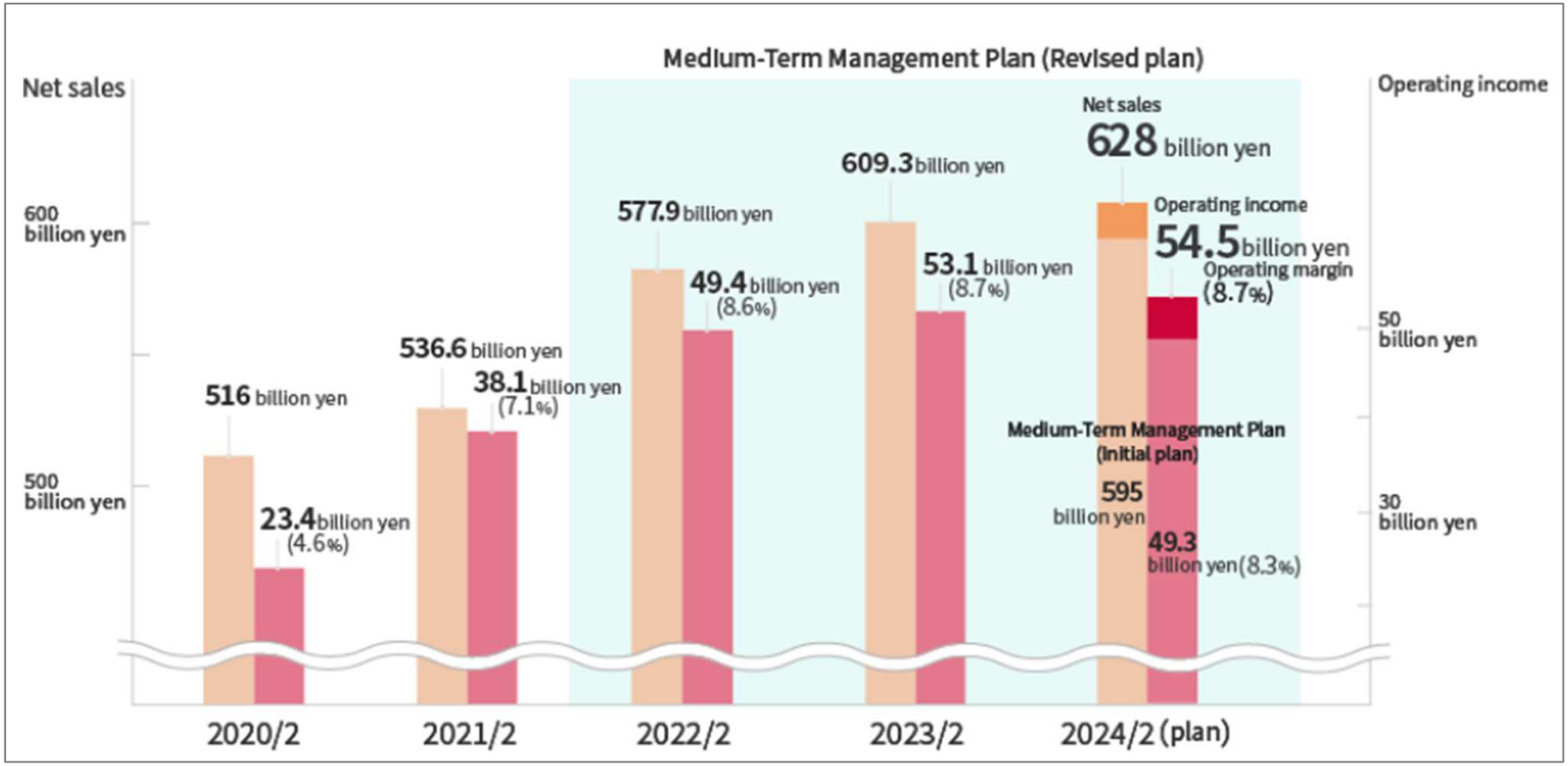
16. Progress of Medium-term Management Plan 2024: Numerical Targets

しまむらグループ

Update of numerical targets for FY2/24

▽ Net sales: Revised upward from 595 billion yen to 628 billion yen (+ 33 billion yen)

▽ Operating income: Revised upward from 49.3 billion yen to 54.5 billion yen (+ 5.2 billion yen)



16. Progress of Medium-term Management Plan 2024: Promotion of DX ①

	FY2021 Results	FY2022 Results	FY2023 Plan
Customer management	▽ **Launch of own online store** ① Began identifying and analyzing EC member customer information and purchasing history →The percentage of customers in urban areas is found to be high →Lead to stronger store openings in urban areas and stronger sales at existing urban stores ▽ **Real-time inventory operation and in-house utilization** ① Real-time monitoring of store inventories →Increased efficiency (automation) of customer order work by store employees	▽ **Release of new application and launch of customer management system** ① Make store-use customers a member →EC membership information and centralized management ② Began offering "Waku Waku" (excitement) membership benefits ・Advance reservation rights for EC products ・Right to publish “Shima Pato” ・Waku Waku ticket design rights, etc. →Increase customer contact and improve customer satisfaction ▽**Use of real-time inventory by customers** ① Start of product inventory search service →Scan products at stores on a smartphone to enable inventory searches for different sizes and colors (Inventory at neighboring stores and EC)	▽ **Utilization of new apps** ① Expand "Waku Waku" membership benefits ・Shooting events ・Signature planning, etc. ② Paperless customer order response and automation of receipt notices ▽ **Use of customer-management system** ① Deliver recommendations for recommended products by customer →Strengthen direct marketing ▽ **Expand utilization of real-time inventory by customers** ① Add search function for product images and similar products to the inventory search service →Greater convenience for customers

16. Progress of Medium-term Management Plan 2024: Promotion of DX ②

	FY2021 Results	FY2022 Results	FY2023 Plan
Store management	▽ **Started using tablets (introduced 2 units at all stores)** ① Utilize in-house apps “Shima Navi” and “Shima Channel” →Creation of sales floors and important points of merchandises can be visually grasped by images and videos →Improved sales floor management and customer service levels. Employee time shortening is also promoted ▽ **Use of "LINE WORKS"** ① Smooth “reporting, communication, and consultation" between the head office and stores, even under the novel coronavirus disaster ▽ **Built a store profile** ① Collected data on events and happenings in each area for each store	▽ **Expand use of tablets** ① Introduction of an in-house app "Smart Sales Floor Plan" →Change from paper to digital for requests from headquarters to stores for sales space creation. ② Sharing in-house measures to improve sales floors disseminated through “Shima Navi“ →Advancing sophistication of display and production ▽ **Started installing new cash registers and tablet checkout machines (500 stores)** ① Downsizing and weight reduction of cash registers, improvement of processing speed and workability →Responding to diversification of payment systems and reducing the burden on employees ② Multi-functional accepting machines →Utilization of product management and other functions other than acceptance inspection	▽ **Expand use of tablets** ① "Smart sales floor plan" Expand the use of "Shima Channel" and "Shimanavi" →Standardize sales floor management through digitization of sales floor creation →Upgrade sales floor management by improving sales floors through store dissemination ▽ **Expand introduction of new cash registers and tablet checkout machines (800 stores)** ① Increase number of stores installed to 800 ▽ **Laying the foundation for the utilization of store profiles** ① Linkage with ordering system →Optimize inventories by optimizing product allocation tailored to the climate and events of individual stores

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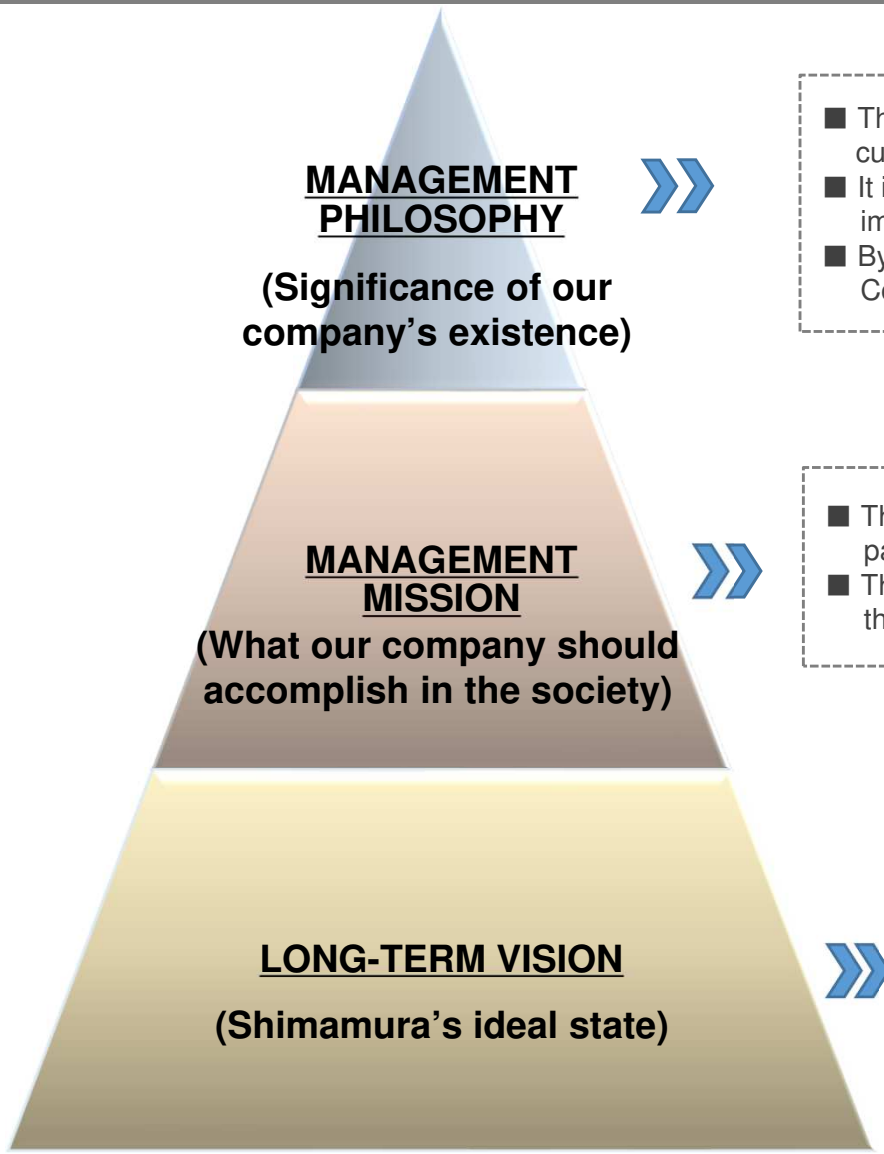
（1）Long-term vision（Shimamura's ideal state）



■ The philosophy of the Company is to contribute to the enhancement of consumer life and lifestyle culture through its business.
■ It is also dedicated to maintaining high productivity and appropriate corporate performance by always implementing state-of-the-art commercial and retailing techniques.
■ By positioning a global perspective and respect for human beings as the basis of our management, the Company will continue sincere corporate management with universal trust and reliability.

■ The Shimamura Group will build a "good company" for employees, customers, business partners, society, and shareholders.
■ The Shimamura Group aims to realize a sustainable society by creating value for all stakeholders through our initiatives to solve ESG issues.

[Bringing WAKUWAKU (excitement) to everyday life]

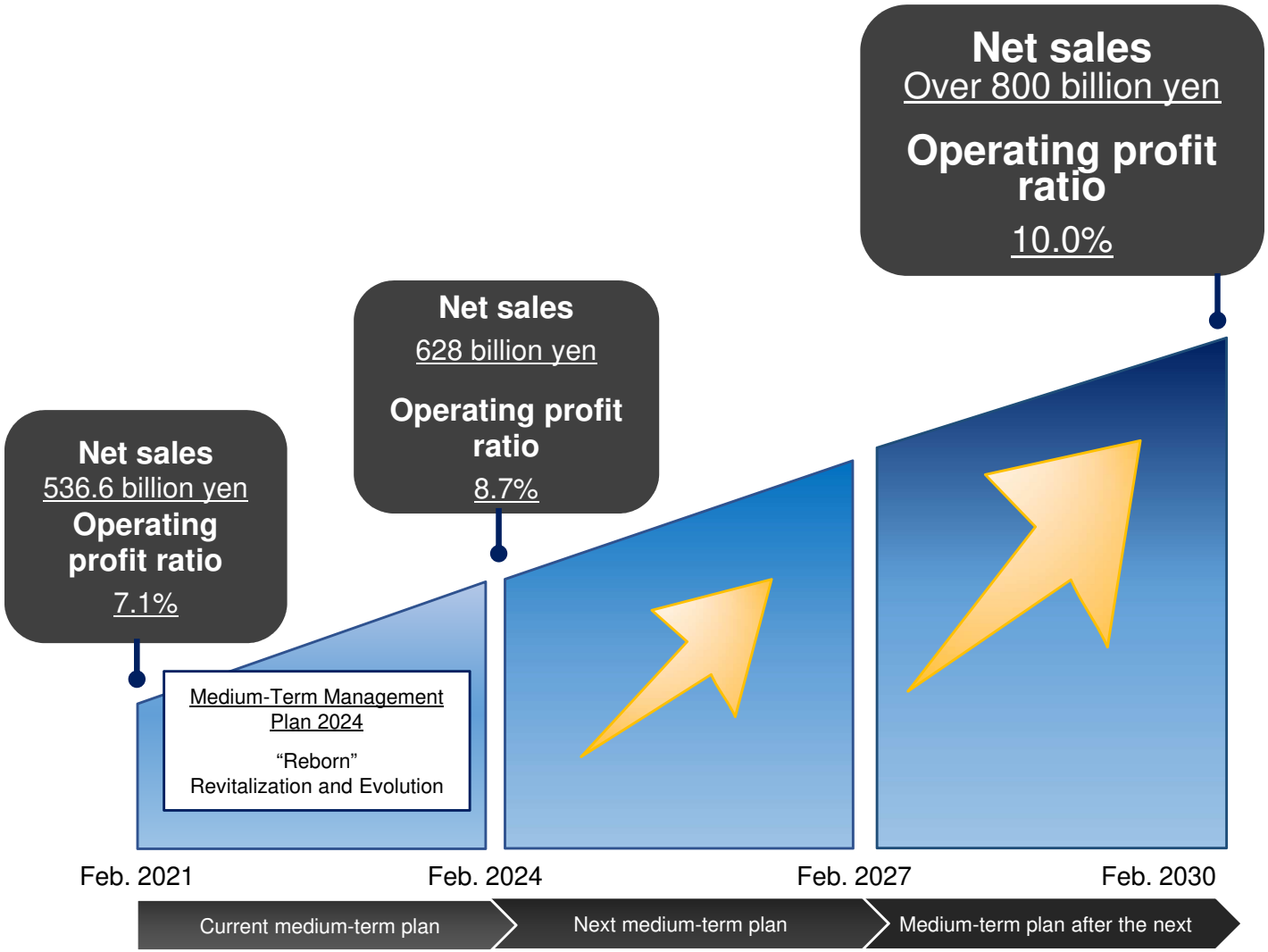
We will bring fun to everyday life by offering WAKUWAKU (exciting) products and services to our customers in each region, expanding our shares in the business area by growing the existing stores and proactively opening new stores.

[Quantitative goals]

Net sales of over 800 billion yen, a gross profit ratio of 35%, an SG&A expenses ratio of 25% and an operating profit ratio of 10%

（2）Numerical Targets for FY2030

Net sales	Over 800 billion yen
Gross profit ratio	35.0%
SG&A expenses ratio	25.0%
Operating profit ratio	10.0%
ROE	Over 8.0%



（1）Three core measures and capital policy

Three measures for realizing the long-term vision

Growth strategies

■ **Business portfolio reconstruction**

Growth of existing businesses, cultivation of new businesses

■ **Elevation of sales in existing stores**

Stable and continuous growth in each term

■ **Product strategy, sales strategy**

・Evolution of the company brands

・Reinforcement of the product lineup to improve store performance (line robbing)

・Reconstruction of the supply chain

・Upgrade of display, production and sales promotion technologies

■ **Strategy for store opening**

・Proactive store opening, reinforcement of store opening in urban

・Promotion of store relocation and renovation

■ **Expansion of the e-commerce business**

Reinforcement of the business base and foundations

■ **HR strategy**

・Better response to labor shortage

Reform and improvement of the remuneration system

Improvement of work systems and the working environment

・Improvement and evolution of the educational system

■ **Promotion of digitalization**

・Accumulation and utilization of data

To utilize the data in product development, store opening, and sales promotion

・Streamlining of operations based on DX

■ **Reconstruction of the logistics network**

・Establishment of new transfer centers

・Relocation of existing transfer centers

Initiatives to solve ESG issues

■ **Environment initiatives**

・To reduce plastic waste

・Expansion of sustainable products

・Environment-friendly supply chain

■ **Society initiatives**

・To promote diversity

・Supply chain considerate to human rights

・Enhancement of roles of the clothing infrastructure

■ **Governance tightening**

・Promotion of debate over the growth strategies and capital policy

・Ensuring diversity and appropriate scale of the Board of Directors

・Fostering of successors

Capital policies

■ **Growth investment**

・Continuous investment in business scale expansion
・Store opening and renovation, establishment of transfer centers
・Development of new businesses, securing and training of staff

■ **Shareholder returns**

・Long-term, stable return as the basis
・Continuous dividend increase based on performance improvement
・Revision of the return policy in each medium-term plan

■ **Internal reserves**

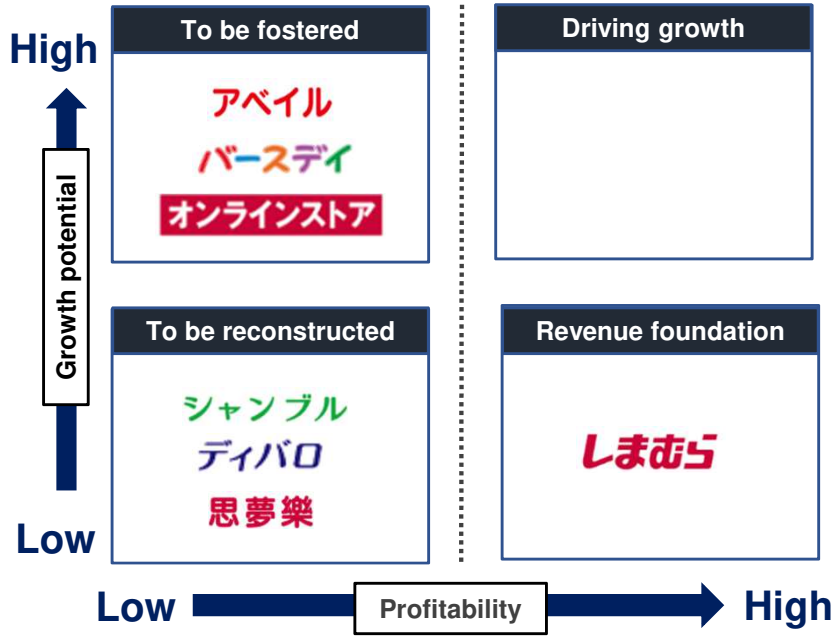
・To maintain reasonable internal reserves to cope with risks
・To secure funds on hand for flexible response

（2）Growth strategies

Growth Strategy

Business portfolio reconstruction

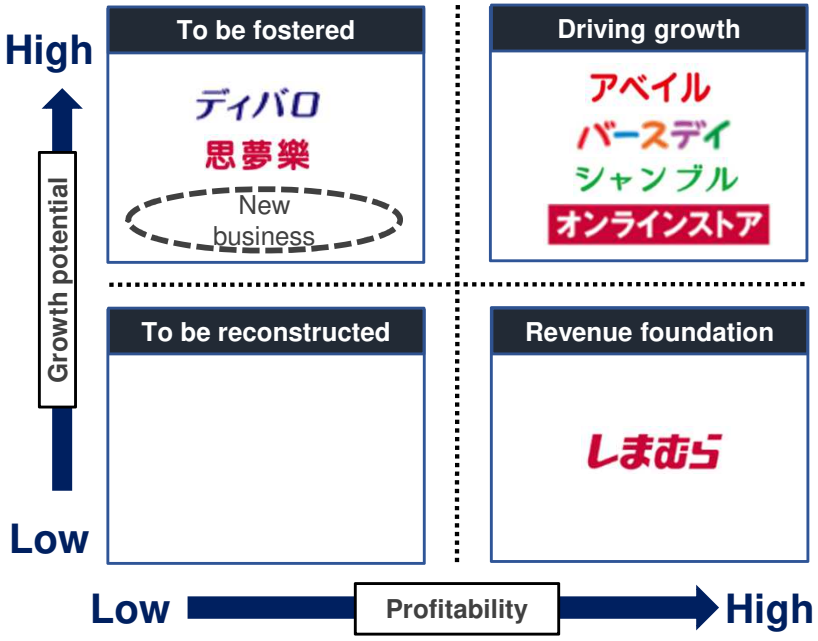
FY 2/2021 (Past)



“Revenue structure centered on Shimamura”

- A challenge for Shimamura is the establishment of stable revenue foundations.
- A challenge for Avail, Birthday and online store is the improvement of low profitability.
- A challenge for Chambre, Divalo and Shimamura (Taiwan) is building business foundations for achieving profitability.

FY 2/2030 (Future)



“High profitability of the whole Shimamura Group”

- Shimamura will continuously grow, maintaining high profitability.
- Avail, Birthday, Chambre and online store will expand scale and become highly profitable.
- Divalo and Shimamura (Taiwan) will establish business foundations and achieve profitability.
- Also considering the launching of new businesses to foster

（3）Three core measures and capital policy

Three measures for realizing the long-term vision

Growth strategies

■ **Business portfolio reconstruction**
Growth of existing businesses, cultivation of new businesses

■ **Elevation of sales in existing stores**
Stable and continuous growth in each term

■ **Product strategy, sales strategy**
- Evolution of the company brands
- Reinforcement of the product lineup to improve store performance (line robbing)
- Reconstruction of the supply chain
- Upgrade of display, production and sales promotion technologies

■ **Strategy for store opening**
- Proactive store opening, reinforcement of store opening in urban
- Promotion of store relocation and renovation

■ **Expansion of the e-commerce business**

Reinforcement of the business base and foundations

■ **HR strategy**
- Better response to labor shortage
  Reform and improvement of the remuneration system
  Improvement of work systems and the working environment
- Improvement and evolution of the educational system

■ **Promotion of digitalization**
- Accumulation and utilization of data
  To utilize the data in product development, store opening, and sales promotion
- Streamlining of operations based on DX

■ **Reconstruction of the logistics network**
- Establishment of new transfer centers
- Relocation of existing transfer centers

Initiatives to solve ESG issues

■ **Environment initiatives**
- To reduce plastic waste
- Expansion of sustainable products
- Environment-friendly supply chain

■ **Society initiatives**
- To promote diversity
- Supply chain considerate to human rights
- Enhancement of roles of the clothing infrastructure

■ **Governance tightening**
- Promotion of debate over the growth strategies and capital policy
- Ensuring diversity and appropriate scale of the Board of Directors
- Fostering of successors

Capital policies

■ **Growth investment**
- Continuous investment in business scale expansion
- Store opening and renovation, establishment of transfer centers
- Development of new businesses, securing and training of staff

■ **Shareholder returns**
- Long-term, stable return as the basis
- Continuous dividend increase based on performance improvement
- Revision of the return policy in each medium-term plan

■ **Internal reserves**
- To maintain reasonable internal reserves to cope with risks
- To secure funds on hand for flexible response

（4）Capital policy

Basic Policy

- The Shimamura Group will work toward continuous improvement of performance through proactive investment for growth while ensuring stable financial foundations.
- Return to shareholders is generally provided in dividends, which will be continuously increased every term based on performance improvement.

Managerial resources

Growth investment

Investment in business scale expansion

- Investment in existing business (store opening, store renovation, logistics, system, M&A)
- Investment in new businesses (cultivation and development of new businesses, M&A)
- Investment in HR strategy (securing and training of excellent human resources)

Shareholder returns

Long-term, stable return

- Continuous dividend increase based on performance improvement in every term
- Reduction of the fluctuation range and stable return based on the DOE index
- Review of KPIs such as the payout ratio in every three-year Medium-Term Management Plan period

Internal reserves

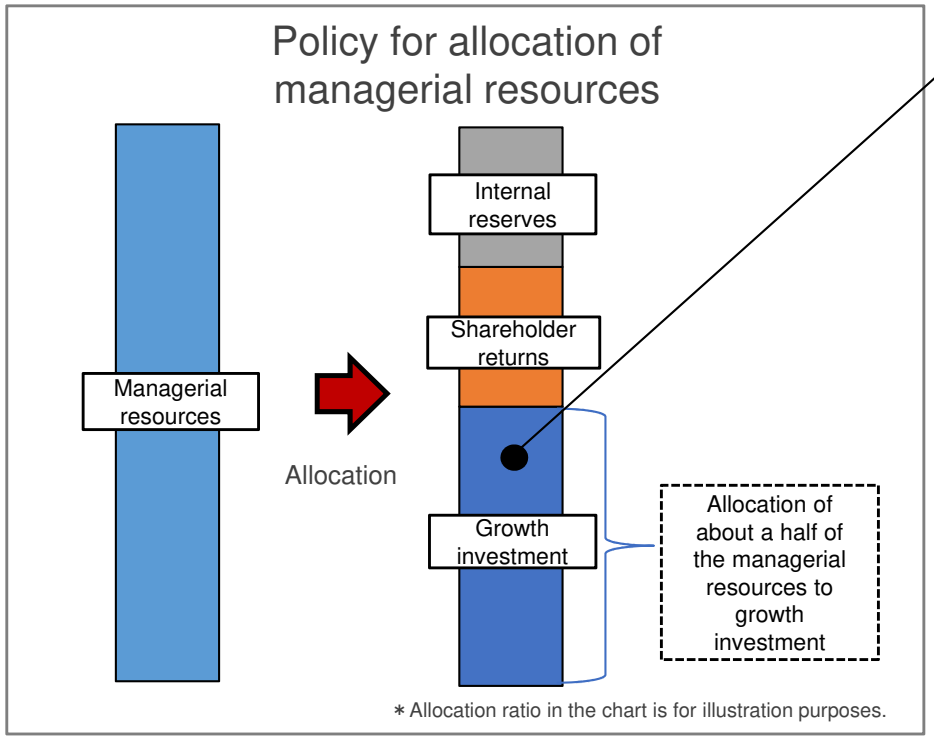
Maintaining reasonable funds on hand

- To maintain reasonable internal reserves to cope with risks such as economic recession
- To secure funds on hand for flexible response

（4）Capital policy

Approach to growth investment

- The Shimamura Group will expand investments in order to achieve continuous growth.
- We will work toward improving performance and contributing to all stakeholders by elevating the quality of stores, products, personnel and DX, and boosting productivity through investments in the expansion of the business scale.



■ Investment in existing business
- •Reinforcement of new store opening (consideration of purchase of land and buildings)
- •Promotion of renovation and relocation of existing stores
- •Establishment of new transfer centers, relocation of existing transfer centers
- •Expansion of the e-commerce business
- •Expansion of investment in system in step with promotion of DX
- •M&A and alliances

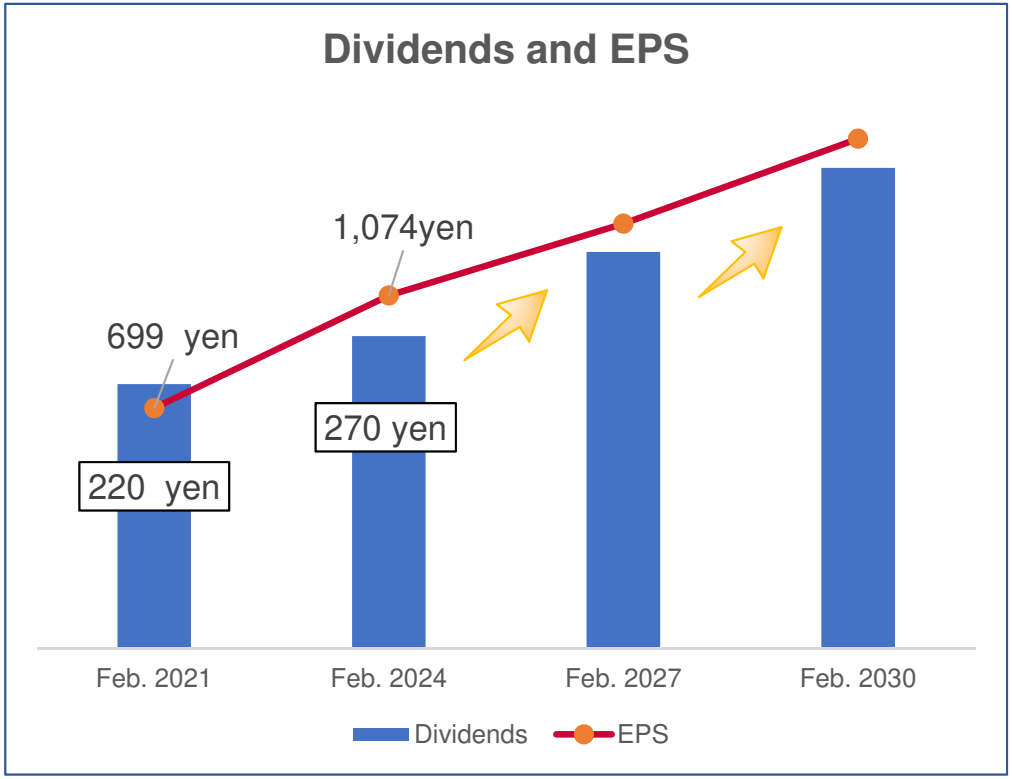
■ Investment in new businesses
- •Overseas expansion
- •M&A and alliances

■ Investment in HR strategy
- •Reform and improvement of the remuneration system
- •Reinforcement of personnel training

（4）Capital policy

Approach to shareholder returns

- The basis lies in continuous increase of dividends by elevating performance every term and stable return to shareholders.
- We will ensure stable return even in event of temporary performance fluctuations by adopting DOE as an index.



KPI (Feb. 2021 to Feb. 2024)

Dividend payout ratio	About 25.0%	DOE	About 2.0%

We will adequately review KPIs in every three-year Medium-Term Management Plan period in step with changes in the capital market.

（4）Capital policy

Approach to internal reserves

■ The Shimamura Group will maintain sufficient funds on hand for flexible response in regard to M&A, alliances, investment in land, etc. in addition to preparation for risk such as an economic recession, and establish stable financial foundations.

Liquidity-on-hand ratio	About 4-6 months

Funds on hand will be effectively utilized to achieve continuous growth, striking a balance of investment growth, shareholder returns and internal reserves.

Approach to capital efficiency

■ We will work toward achieving appropriate capital efficiency, shifting to management which also places importance on the balance sheet, in order to keep growing and elevate corporate value.
■ Working toward the elevation of the “capability to earn,” we will revise the business portfolio and seek suitable allocation of managerial resources, while considering the adoption of new indices regarding profitability, capital efficiency, etc.

ROE	Over 8.0%

Capital adequacy ratio	Over 80%

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18. Approach to ESG Issues -FY2022 Results ①

FY2022 Results (Environment)

▽ **Creation of "Shima-Eco" logo.** Further promotion of environmental initiatives and information dissemination.

▽ **Increased the ratio of sustainable products to 32.7%.** Branding with flyers and video sales promotions.

▽ **Fully cyclical recycling ratio of hangers increased to 52.5%.** Developed recycling sites.

▽ **Support for TCFD.** Target for reducing GHG emissions: 60% reduction by 2030 compared to 2013

Shima Eco logo

"Earth and Circulation"

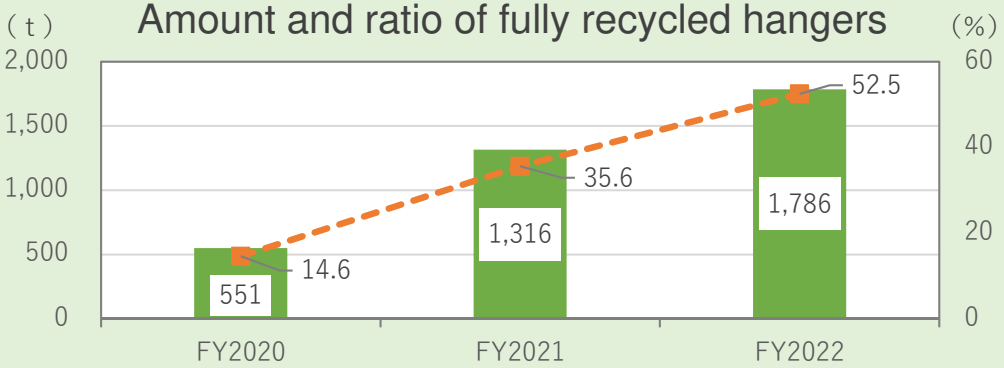
Expansion of sustainable products

Sustainable feature flyer

Corporate website

Sustainable product video

Amount and ratio of fully recycled hangers



Support for TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

18. Approach to ESG Issues -FY2022 Results ②

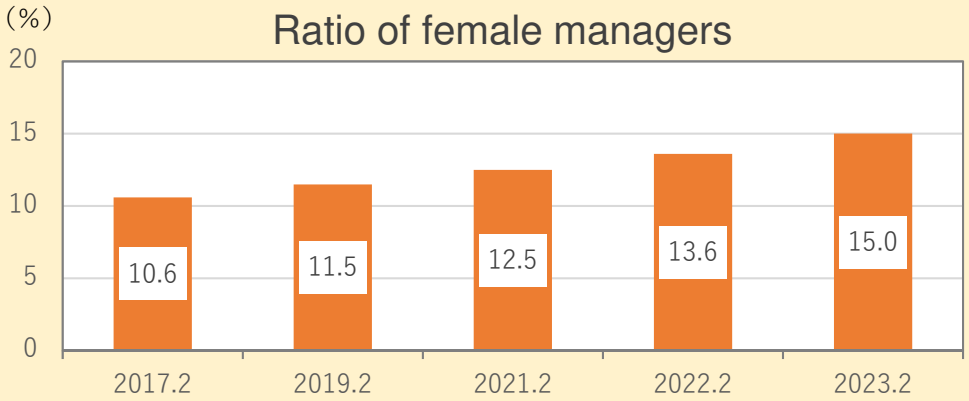
FY2022 Results (Social)

▽ **Ratio of female managers Increased to 15.0%.** "Expand of training for store manager candidates and B.mgr candidates" "Expansion of regional explanatory meetings", "expansion of employment support measures", and "utilization of opinions from employees returning to work on childcare leave"

▽ **Ratio of employees with disabilities increased to 4.1%.** Increased the number of life counselors and collaborate with support centers.

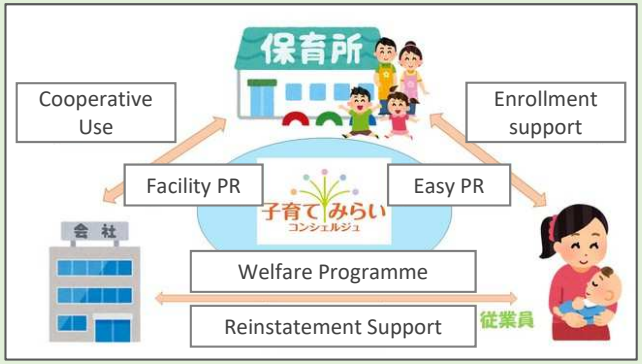
▽ **Expanded traveling sales.** In addition to nursing care facilities and hospitals, we visited to condominiums and depopulated areas.

Ratio of female managers

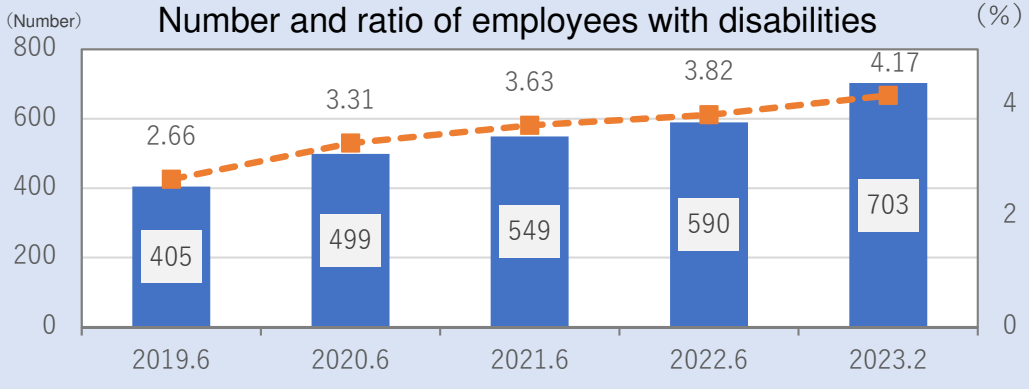


*Ratio of female managers: Ratio of female managers at the senior management level and above

Company-led nursery school referral service



Number and ratio of employees with disabilities



Pop-up sales (Okuma-cho, Fukushima)

18. Approach to ESG Issues -FY2022 Results ③

FY2022 Results (Governance)

▽ **Term of office of directors: 2 years: Reduced to 1 year.** Clarified management responsibilities for the fiscal year.

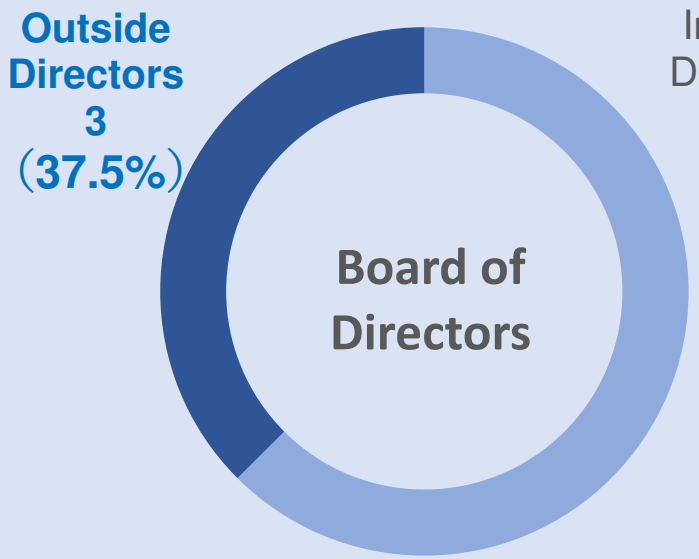
▽ **Number of outside directors: Increased from 2 to 3.**

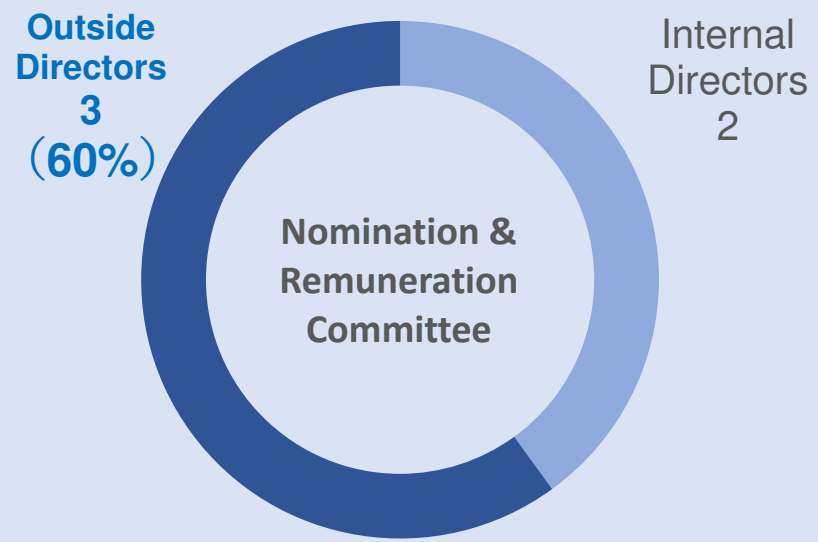
・Ratio of the Outside Directors: Improved from 33.3% to 37.5%.

・Ratio of outside members of the Nomination and Remuneration Committee: Improved from 50% to 60%.

▽ **Set a limit on the tenure of outside directors and officers. (No provision to date)**

Outside Directors: 10 years basically/Outside Audit & Supervisory Board Members: basically 8 years (2 periods).





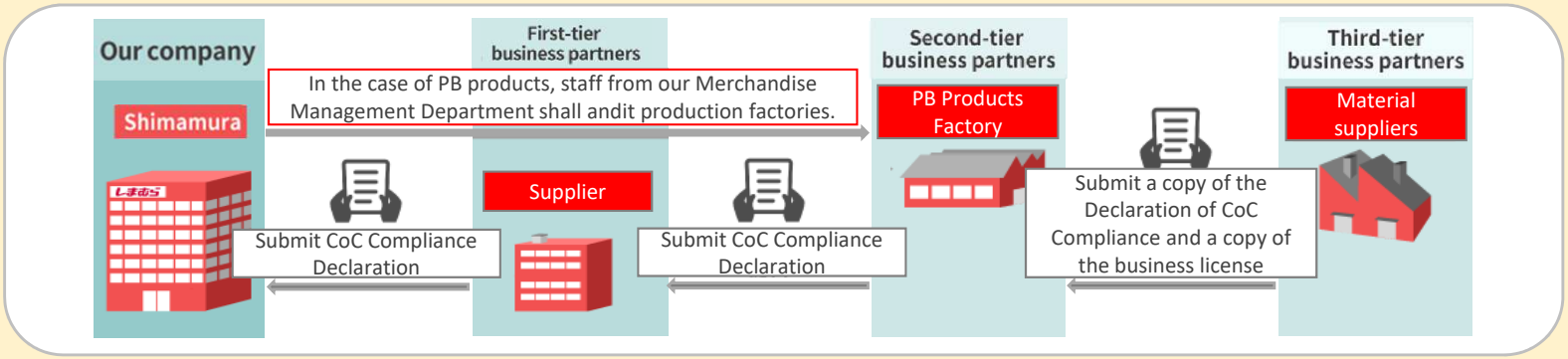
18. Approach to ESG Issues -FY2023 Initiatives

FY2023 Initiatives *CoC: Code of Conduct

▽ **Further strengthen the check system at production sites in line with the "Supplier CoC.**
Environment: Establish and operate a specific checking system/Human rights: Continue and strengthen compliance with CoC

▽ **Promote recycling of materials.** Further expand the Circular Economy.
Structuring and implementation of a complete recycling system from vinyl to vinyl.

Establish a system for checking CoC compliance in the supply chain



Promotion of material recycling

Complete recycling of vinyl for merchandise protection

Collection of "shopping bags" at 1 yen per bag

Recycled into "small-lot delivery bags"

Progress of Medium-term Plan

[Environment]

Product disposal

Feb. 2023 Result:
Zero

(Feb. 2024 Plan)
Zero

[Environment]

Sustainable product purchase rate

Feb. 2023 Result:
32%

(Feb. 2024 Plan)
20%

[Environment]

Percentage of hunger recycling

Feb. 2023 Result:
52%

(Feb. 2024 Plan)
60%

[Society]

Ratio of female managers

Feb. 2023 Result:
15%

(Feb. 2024 Plan)
20%

[Society]

Ratio of employees with disabilities

Feb. 2023 Result:
4.1%

(Feb. 2024 Plan)
5.0%

[Governance]

Number of principles of corporate governance code not yet implemented

Feb. 2023 Result: 1

(Feb. 2024 Plan)
Zero

＊Apr. 2023 Result: Zero

19. Information Disclosure

Financial Results (disclosed on the corporate website)

▽ Financial Results Presentation (with comments) ...Tuesday, April 4
▽ Summary of Financial Results (English version) ...Tuesday, April 4
▽ Summary of Q&A Session ... Wednesday, April 5
▽ Financial Results Presentation (English version) ...Monday, April 10

Update information on corporate website

▽ ESG-related (update information) ... Monday, April 3
▽ Medium-term management plan (update information) ...Monday, April 3
▽ Long-term management plan (new information) ...Monday, April 3
▽ Corporate governance related ...Late-May

おかげさまで
しまむらグループ

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.