



Financial Results for Q2 of FY2/24 October 3, 2023

しまむらグループ

1 . Q2 Financial Summary	P. 3 - 10
2 . Initiatives by Business	P. 11 - 18
3 . Initiatives for ESG Issues	P. 19 - 21
4 . Consolidated Business Forecasts for FY2/24	P. 22 - 24

▽ Consolidated sales for 1H were 105.1% YoY, achieving record-high 1H sales and profits.

- ① Sales in all businesses exceeded the previous fiscal year, and consolidated sales for the first half reached a record high.
- ② Gross profit and SG&A expenses were generally under control as planned, even in the inflationary environment.
- ③ Consolidated operating income, ordinary income, and net income also reached record highs.

▽ Consolidated business forecasts for FY2/24 remain unchanged. To manage expected external risks.

- ① Forecast net sales of 635 billion yen (103.1% YoY) and operating income of 54.5 billion yen (102.4% YoY).
- ② We aim to achieve sales and profit targets by managing expected external risks, such as rising costs of sales due to the yen's depreciation, soaring energy prices, prolonged summer heat and warm winter, and declining consumer spending, etc.

▽ Business policy for 2H: Strengthen product appeal and sales power through strengthening initiatives in 1H.

- ① Strengthen product appeal: enhance project capability, expand product lineups, refine PB and JB products, and improve procurement system.
- ② Strengthen sales power: enhance regional and individual store responsiveness, optimize digital sales promotions, and improve the sophistication of inventory management.
- ③ Strengthen foundation and infrastructure: Promote digital transformation, expand EC business, open a new model store under the Divalo business, and promote ESG initiatives.

Consolidated Results: Income Statement

- ▽ Net sales: 316.8 billion yen (increased by 5.1% YoY). Record-high sales for the first half alone.
- ▽ SG&A expenses: 25.2%(increased by 0.1pt YoY). Personnel expenses were higher than the plan. Total SG&A expenses were generally in line with the plan.
- ▽ Operating income: 30.1 billion yen (increased by 4.3% YoY). Each profit for the first half alone reached record highs.

(Million yen/%)

	FY2/24 1H	Ratio to sales	YoY	FY2/23 1H	Ratio to sales	YoY
Net sales	316,838	100.0	105.1	301,348	100.0	105.9
Gross profit	109,225	34.5	105.3	103,733	34.4	106.2
SG&A	79,763	25.2	105.6	75,516	25.1	103.6
Operating income	30,173	9.5	104.3	28,919	9.6	114.1
Ordinary income	30,725	9.7	103.5	29,680	9.8	114.9
Net income attributable to owners of parent	20,954	6.6	101.6	20,620	6.8	118.3
Net income per share	570.15yen	—	—	561.08yen	—	—

Sales by Business

▽ Due to the evolution of brands, expansion of product lineups, diversification of sales promotion methods, and strengthening of regional and individual store support, Sales in all businesses exceeded the previous year's results, and domestic sales increased 5.0% YoY.

▽ Sales of Si meng le (Taiwan) were favorable, increasing by 18.3% YoY thanks to the expansion of PB and JB products and the enhancement of digital sales promotions.

(Million yen/%)

Business	FY2/24 1H	Composition ratio	YoY	FY2/23 1H	Composition ratio	YoY
Shimamura	237,325	74.9	105.4	225,192	74.8	104.5
Avail	31,626	10.0	106.9	29,585	9.8	111.6
Birthday	36,350	11.5	101.1	35,948	11.9	106.4
Chambre	7,521	2.4	104.2	7,219	2.4	114.1
Divalo	437	0.1	115.5	378	0.1	109.3
Shimamura (non-consolidated)	313,261	98.9	105.0	298,324	99.0	105.6
Si meng le (Taiwan)	3,577	1.1	118.3	3,023	1.0	142.4
Shimamura (consolidated)	316,838	100.0	105.1	301,348	100.0	105.9

Consolidated Results: SG&A Expenses

- ▽ Personnel expenses: Increased by 6.9% YoY due to large wage increases. This has a strong impact on hiring activity and reduces the job turnover.
- ▽ Advertising expenses: The ratio to sales was 1.7%(△0.1pt YoY), controlled by the diversification and sophistication of digital sales promotions.
- ▽ Equipment cost: The rise in utility costs was lower than expected. Rental expenses were lower than the previous year due to unprofitable store closures, etc.

(Million yen/%)

	FY2/24 1H	Ratio to sales	YoY	FY2/23 1H	Ratio to sales	YoY
Salary	34,189	10.8	106.8	32,011	10.6	104.6
Total personnel expenses	39,974	12.6	106.9	37,381	12.3	104.7
Advertising expenses	5,432	1.7	102.8	5,286	1.8	97.6
Total selling expenses	9,438	3.0	105.9	8,916	3.0	101.9
Supplies expenses/Display fixtures expenses	1,124	0.3	105.5	1,065	0.3	104.4
EDP expenses	1,336	0.4	160.9	830	0.3	113.2
Total operating expenses	4,496	1.4	118.5	3,795	1.3	103.1
Rents	16,312	5.1	99.7	16,354	5.4	99.7
Depreciation and amortization	2,916	0.9	99.6	2,928	1.0	98.8
Total equipment cost	23,429	7.4	101.5	23,081	7.7	102.6
Total general expenses	2,424	0.8	103.6	2,341	0.8	104.1
Total SG&A expenses	79,763	25.2	105.6	75,516	25.1	103.6

Consolidated Results: Balance Sheets

▽ Assets: Cash and deposits, accounts receivable, and valuable securities increased by 10.5%YoY. The merchandise inventories were lower than in the previous fiscal year.

▽ Liabilities: There was an increase mainly in income taxes payable and accrued expenses. This was due to an increase in net income and higher salaries.

(Million yen/%)

	End-Aug. 2023	Composition ratio	YoY	End-Aug. 2022	Composition ratio
Current assets	344,208	65.8	107.8	319,229	65.0
Noncurrent assets	178,832	34.2	104.1	171,783	35.0
Total assets	523,040	100.0	106.5	491,012	100.0
Current liabilities	56,177	10.7	103.3	54,367	11.1
Noncurrent liabilities	10,206	2.0	105.9	9,641	1.9
Total liabilities	66,383	12.7	103.7	64,009	13.0
Total shareholder's equity	452,259	86.5	106.8	423,452	86.3
Accumulated other comprehensive income	4,397	0.8	123.9	3,550	0.7
Total net assets	456,657	87.3	106.9	427,003	87.0
Total liabilities and net assets	523,040	100.0	106.5	491,012	100.0

Sales, Number of customers, Spending per customer (YoY)

- ▽ Growth in existing store sales: Existing store sales for 1H increased YoY in three major businesses.
- ▽ Positive trends in customer numbers: Shimamura's and Avail's customer numbers increased in 1H compared to the previous year, although average spend per customer increased.
- ▽ Increase in price per product: Due to the shifting to a new price range and expansion of the high price range products. It has a great effect on markup rate improvement.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	FY2/24 Q1	105.6	105.4	100.2	97.2	105.1	108.1
	FY2/24 Q2	105.7	105.4	99.9	96.9	105.5	109.0
	FY2/24 1H	105.7	105.4	100.1	97.2	105.3	108.4
Avail	FY2/24 Q1	107.7	107.1	101.2	97.7	105.8	108.3
	FY2/24 Q2	107.4	106.7	101.2	97.3	105.5	108.4
	FY2/24 1H	107.5	106.9	101.2	97.7	105.6	108.3
Birthday	FY2/24 Q1	100.3	101.2	96.0	95.3	105.4	110.6
	FY2/24 Q2	99.6	101.0	95.9	94.1	105.4	111.9
	FY2/24 1H	100.0	101.1	95.9	94.8	105.4	111.1

Gross profit, Price reduction, Inventory YoY

- ▽ Policy for the current term: Secure appropriate price entry and appropriate price reductions, and increase inventory turnover to secure gross profit.
- ▽ In Q2, we took action in line with the policy in each business and secured solid gross profit while keeping inventory under control.
- ▽ While the hurdle to exceed Q1 results from the same period of the previous year was high, Shimamura and Avail also exceeded the 1H gross profit level of the previous year.

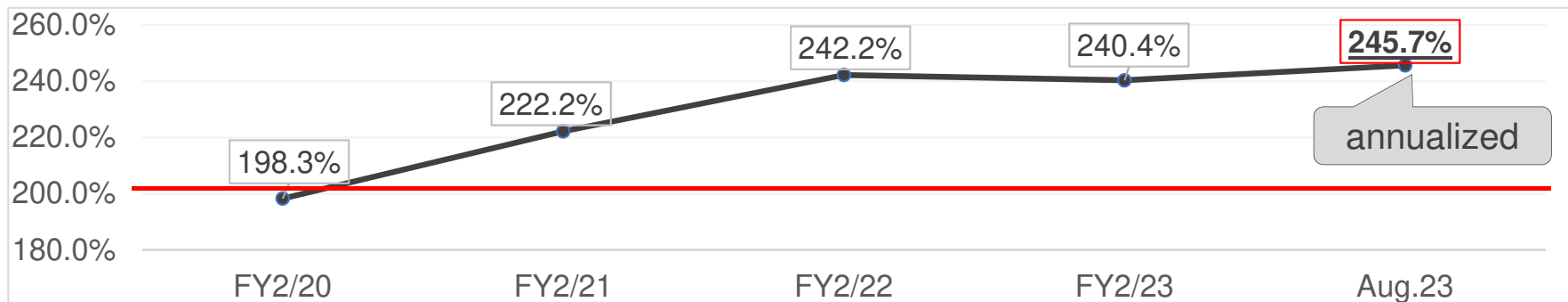
(%, pt)

Business	Period	Gross profit			Price reduction			Inventory
		Gross Profit YoY	Gross margin		Price reduction YoY	Price reduction rate		Inventory YoY
				YoY			YoY	
Shimamura	FY2/24 Q1	104.9	33.3	− 0.2	117.7	7.5	+ 0.8	107.7
	FY2/24 Q2	107.3	34.1	+ 0.6	108.1	5.3	+ 0.1	100.9
	FY2/24 1H	106.1	33.7	+ 0.2	113.3	6.4	+ 0.5	104.4
Avail	FY2/24 Q1	105.5	37.4	− 0.6	108.9	16.4	+ 0.2	114.6
	FY2/24 Q2	107.0	39.5	+ 0.1	99.5	11.4	− 0.8	104.0
	FY2/24 1H	106.3	38.5	− 0.2	104.8	13.8	− 0.3	109.4
Birthday	FY2/24 Q1	96.2	34.8	− 1.8	201.3	4.8	+ 2.4	115.7
	FY2/24 Q2	101.4	33.0	+ 0.1	101.5	6.1	+ 0.1	105.6
	FY2/24 1H	98.3	34.0	− 1.0	136.9	5.3	+ 1.4	110.7

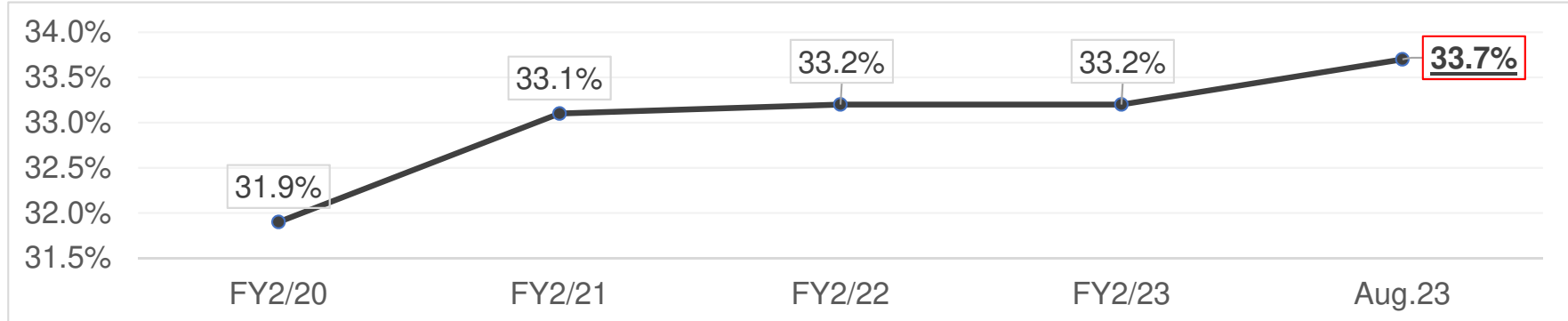
Shimamura Business: Trends in cross-ratio(Past 5 years)

- ▽ Cross-ratio (gross profit margin x product turnover) has been improving year by year, reaching a high level of about 245% on an annualized basis.
- ▽ Steady improvement in profitability due to advanced merchandise management techniques (detailed price reductions by SKU and region, high frequency of merchandise transfers between stores), enhanced merchandise and sales capabilities, and improved accuracy of merchandise procurement and inventory management.

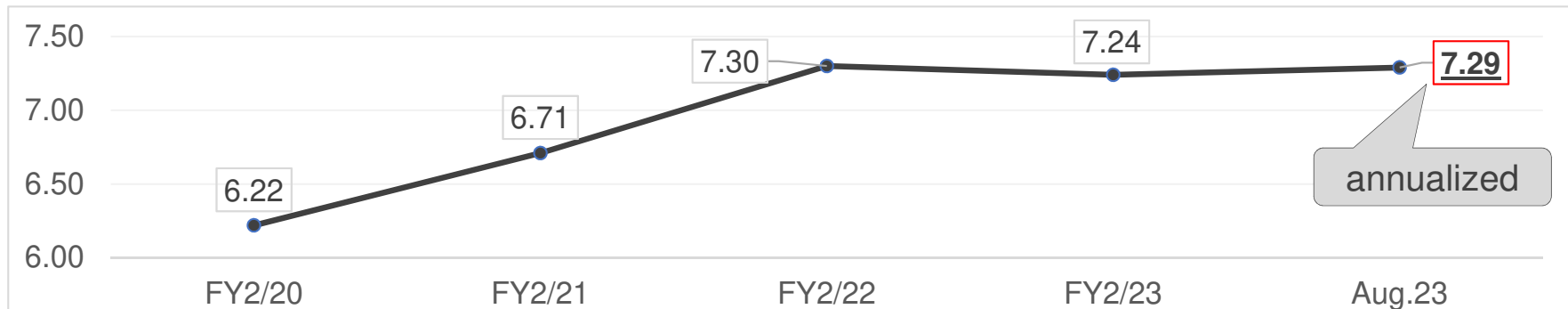
Cross-ratio



Gross margin



Product turnover



Strengthening product appeal

- ▽ Further enhancement of PB: PB ratio was 21.0%、PB sales increased by 10.0% YoY in the first half. Summer products in general were strong.
- High-priced PB "CLOSSHI PREMIUM": 1H sales increased by 37% YoY. Sales of "THE SUPER COOL" were very strong due to the extremely hot summer.
 - High functional PB "FIBER DRY": 1H sales increased by 26% YoY. Expanding product lineup from apparel to practical items.

■High-priced PB"CLOSSHI PREMIUM"

"Suhada Suzuyaka Pants"



"THE SUPER COOL" rugs and pads



"THE SUPER COOL" Inner



■High functional PB"FIBER DRY"

"Saratto-cool"



"Polo Shirts"



Strengthening product appeal

▽ Further enhancement of JB: JB ratio was 8.9%, and JB sales increased by 7.4% YoY in the first half.

Strengthened proposals for coordinating clothing for wear with accessories and shoes. The lineup of high-priced items is also strong.

▽ Influencer project: Experiment in urban stores and online stores ⇒ Evolve scheme to expand to all stores for best-selling items.

■Improvement of JB's planning capability

JB"SEASON REASON"

ずっとつづく優しい暮らし

SEASON REASON
by Lin.& Red
8/7(月)発売
InRed 9月号掲載

レディース
ボーダーTシャツ
綿100%
M・L・LL 3L・4L
(¥1,089円)
本体 990円

レディース
ジャンパースカート
各種
M・L
(¥2,420円)
本体 2,200円

レディース
プルオーバー
綿100% M・L・LL
(¥1,419円)
本体 1,290円
3L・4Lサイズは
(税込1,639円)
本体 1,490円

レディース
スカート
各種
M・L
(¥2,189円)
本体 1,990円

レディース
ニットベスト
+シャツセット
M・L・LL
(¥2,970円)
本体 2,700円

レディース
ソックス各種
23~25cm (¥319円)
本体 290円

レディース
シューズ
M・L・LL (¥2,420円)
本体 2,200円

レディース
バッグ各種
(¥2,420円)
本体 2,200円

モノトーンの組み合わせはボーダーで柄を効かせて

■Influencer project

Expansion to all store flyers

"omi"

omi
プチプラアイテムを使った
真似しやすい編みわしコーデ投稿や
購入品LIVEを記憶中

Instagram

◆シアージュ
シャツ
M・L
(¥1,639円)
本体 1,490円

◆カップ付
キャミソール
M・L
(¥1,089円)
本体 990円

◆スカート
M・L
(¥1,639円)
本体 1,490円

◆ワンピース
M・L
(¥1,639円)
本体 1,490円

"megumi"

megumi x Shimastyle

1. レディース
ブラウス
M・L・LL
(¥2,189円)
本体 1,990円

2. レディース
ニットベスト
+シャツセット
M・L・LL
(¥2,970円)
本体 2,700円

3. レディース
カシ
各種

Experiment in urban stores

"YUKI"

店舗限定 Exclusive item

YUKI

トレンドを押さえつつ、
モードで大人カジュアルな
スタイリングをインスタで
発信中!

軽やかに着こなす
きれいめコーデ

◆ジャケット
M・L (¥1,969円)
本体 1,790円

◆タンクトップ
M・L (¥759円)
本体 690円

◆スカート
M・L (¥1,969円)
本体 1,790円

Another color

Strengthening sales power

- ▽ Successful 70th anniversary campaign: Significantly increased customer traffic. Special price promotions for limited edition products.
- ▽ Diversification of digital sales promotions: 24 web commercials were aired in 1H. Number of social media followers: 34.63 million (up 8.6% from the end of the previous fiscal year)
- ▽ Refine regional and individual store response: Urban stores and regional stores all performed well.

■ 70th anniversary project

70th anniversary festival



■ Sales not easily affected by weather conditions

Enhancement of theme-based projects



■ Utilization of Web commercials

"Cotton from USA+"



■ Strengthen regional and individual store response



Strengthening product appeal and sales power

- ▽ Strengthening trend proposals with JB at the core: JB ratio was 41.9% and JB sales increased by 22.7% YoY in the first half.
- ▽ Expand character products: 1H sales increased by 25.7% YoY due to improved project accuracy and expansion of dedicated sales floors.
- ▽ Expand regional and individual store response: Implement product lineups and flyer distribution in line with each store's characteristics in urban and rural areas.

Strengthening of "Y2K fashion" promotion by JB

JB "SUREVE" x Heisei brands



JB "CHIP CLIP" x silly



Character products are selling well.



Flyers for regional and individual store response

Regional response flyer



Strengthening product appeal and sales power

- ▽ Expansion of JB: Sales of JB products for infants and low teens were strong. JB ratio was 26.6% and JB sales increased by 7.5% YoY in 1H.
- ▽ Responding to occasion demand: Sales of swimming-related products and Yukata/Jimbei were strong due to increased procurement and sales promotions.
- ▽ Use of digital sales promotions: Strengthen sales promotions to 5.95 million social media followers. EC sales were 179% of plan.

■ Strengthening JB product appeal

JB for infants "Cotoli"



JB for low teens "rabyraby"



■ Strong sales of occasional products



■ Strengthen sales promotions to social media followers

Video distribution via Instagram, Instagram Live



Strengthening product appeal and sales power

▽ Chambre Business: Sales of JB products were strong in apparel and fashion accessories. New character products and gift items were also strong.

▽ Divalo Business: Strengthen "Shoes & Fashion" coordination proposals and digital sales promotions via social media.

Chambre Business

■JB×Influencer

Collaboration with "Mekiki-san"

目利きさんをつくる12か月

tsukuru&Lin.
by リンネル



■Linked to products and sales promotion and sales floor

Offering seasonal gift items



New character "Winnie the Pooh"



Divalo Business

Shoes and fashion dressing suggestions

Shoes x outerwear x fashion accessories



Strengthen sales promotion via social media to increase awareness



Strengthening product appeal and sales power

▽ Strengthening product appeal ... Expansion of Taiwan original products. Branded products accounted for 55.5% of total sales, up 140.7% yoy.

▽ Strengthening sales power ... Brushed up digital sales promotion. The number of SNS views increased and the ability to attract customers improved.

■ Strengthen product appeal through expansion of original Taiwanese projects

Local PB "S.Basic"



Cool T-shirts for the Taiwan project ○



■ Expansion of product assortment through line lobbying

Sports items



Outdoor items



■ Strengthening sales through SNS promotion, 25th anniversary sale ◎

Store introduction via facebook



Si meng le celebrates its 25th anniversary



■ Extended range of outlets... first half 1, second half 2 stores Counting 3 store outlets

「Yingge Fongming Branch」 opening of a store (June 2023)



Scale expansion of EC business and improve convenience

- ▽ Sales in 1H were 3.1 billion yen (EC conversion ratio: 1.0%): Sales YoY were 194.9%, and the store pick-up ratio was 88.0%.
- ▽ Expansion of EC-limited products and made-to-order products: nursing care products, large-scale items, character products, and hot-selling products are being made to order.
- ▽ Increase of ordering capacity: Delivery from EC-suppliers enables orders to exceed the capacity of the EC center.

■ Sales grew significantly due to the expansion of "EC-limited products" and "made-to-order products"

Shimamura: Started handling made-to-order products and nursing care products

ファッションセンターしまむら
@shimamura_gr

しまむらオンラインストアにて
「ちいかわ」とのコラボアイテムを
受注生産にて販売中!!!
受付期間は5/31(水)23:00までです



Avail
Resale of hot-selling products in
stores through EC



©KAWAISOUNI!

Birthday
EC-limited large-scale items

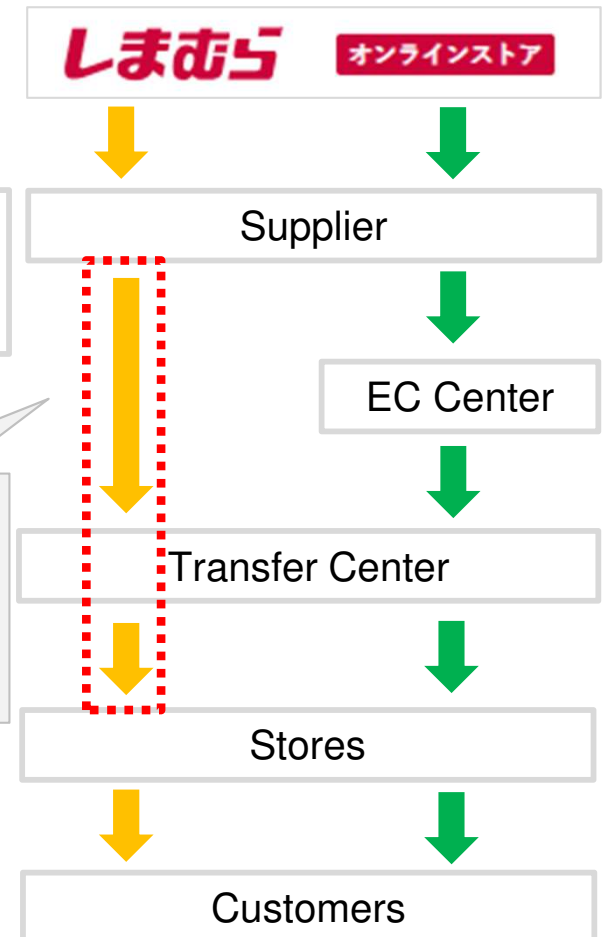
Strollers for two, Koinobori



■ Direct delivery to Transfer Center instead of EC Center

Normal delivery route
EC supplier delivery route

Direct delivery to
Transfer Center without
passing through EC
Center

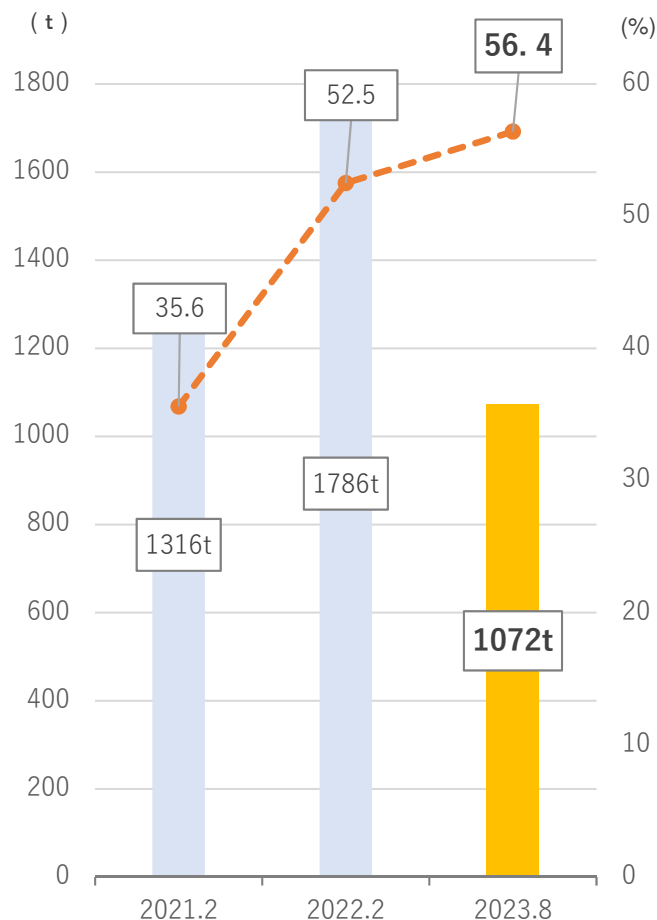


Initiatives for ESG Issues ①

Results of 1H (Environment)

- ▽ Hangers: Complete recycling ratio was 56.4%. Improvement in the accuracy of hanger sorting in stores.
- ▽ Vinyl: Started a complete recycling program to recycle shopping bags collected from customers into new small delivery bags.
- ▽ Sustainable products: the ratio of sustainable products in our PB products was 31.3%. The range of sustainable materials is being further expanded.

■ Amount and ratio of fully recycled hangers

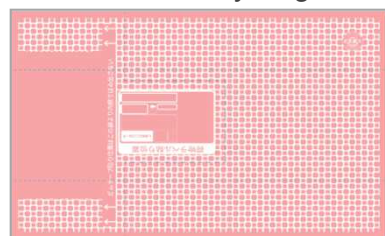


■ Recycled small delivery bags

Buy shopping bags from customers

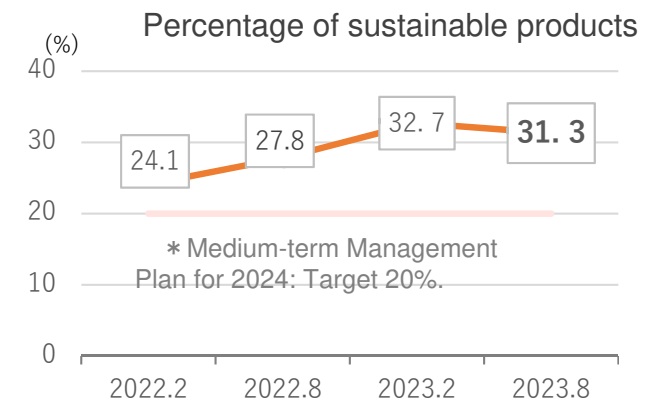


Recycled shopping bags ⇒ new small delivery bags



■ Expansion of sustainable products

Recycled polyester Recycled into FIBER DRY

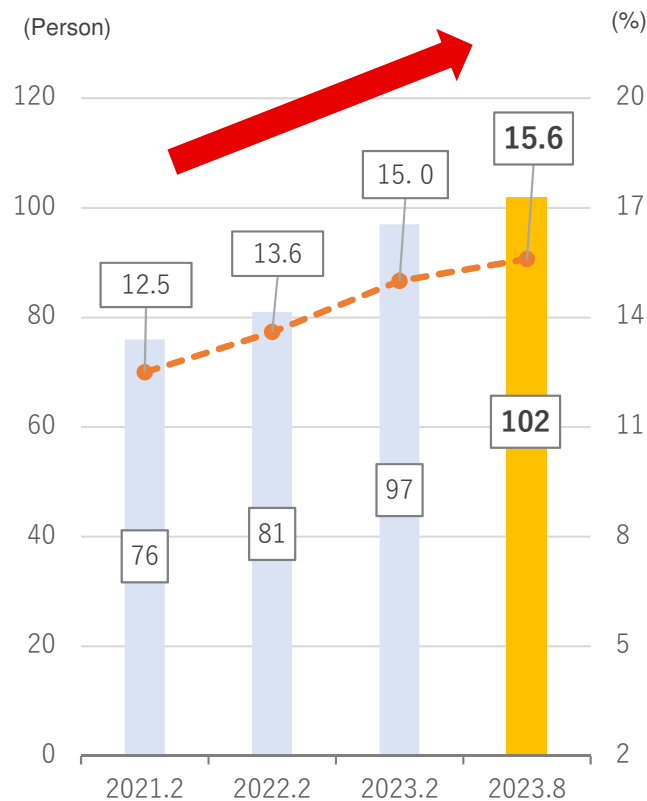


Initiatives for ESG Issues ②

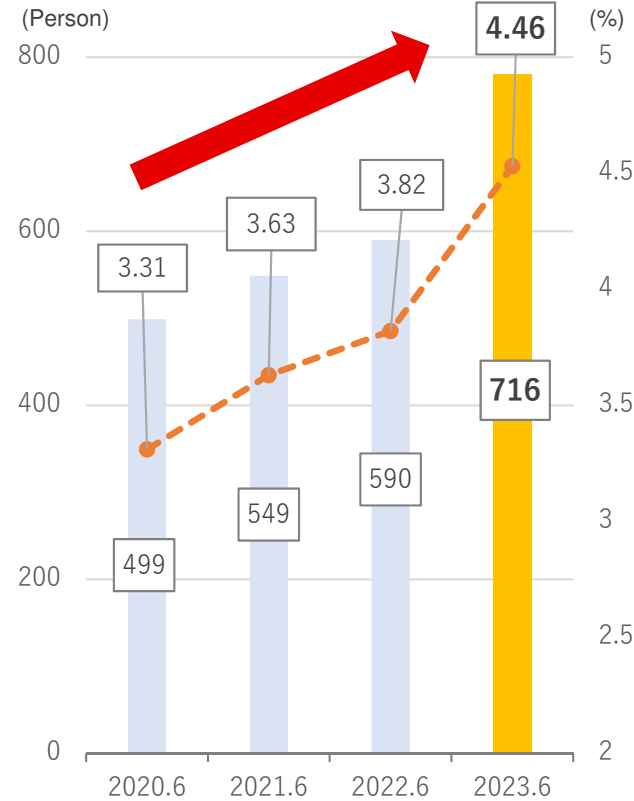
Results of 1H (Society)

- ▽ Percentage of female managers: 15.6%. The ratio of block managers (main manager level) in stores increased significantly to 19.6%.
- ▽ Ratio of employees with disabilities: 4.46%. The ratio increased outside of Shimamura business by strengthening educational activities at stores.
- ▽ Strengthening the role of apparel infrastructure: Implemented a total of 18 business trip sales and shopping tours throughout Japan; expanded products for seniors in EC stores. Sales are strong through a wide range of products, including underwear, socks, and consumables for nursing care.

■ Number and percentage of female managers



■ Number and percentage of people with disabilities employed



■ Strengthening the role of apparel infrastructure

Business trip sales (Hakusan, Ishikawa)



■ Expansion of products for seniors through EC sales

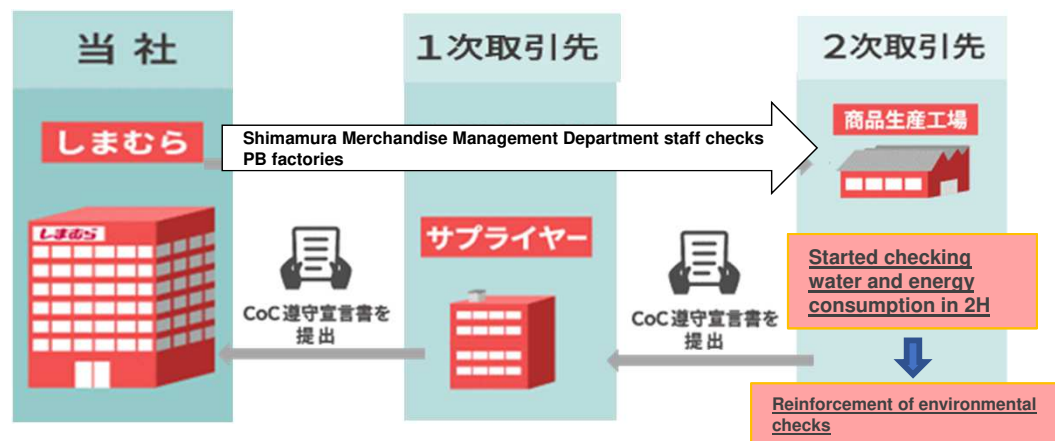


Initiatives for ESG Issues ③

Initiatives for 2H

- ▽ Expansion of factory audits in the supply chain: In addition to human rights checks, environmental checks were expanded.
- ▽ Open of experimental environmentally friendly stores (3 stores): Targeted 30% reduction of CO₂ emissions (compared to existing stores).
- ▽ Strengthening efforts to increase the number of female managers: Started a new training curriculum and introduced a more worker-friendly work system.
- ▽ Strengthening the role of apparel infrastructure: Expanding the number of stores offering shopping tours. Expansion of EC products for seniors.

- PB factories strengthen environmental checks in addition to human right checks



- Strengthen efforts to expand female managers



Introduce a work system that is more comfortable for employees to work

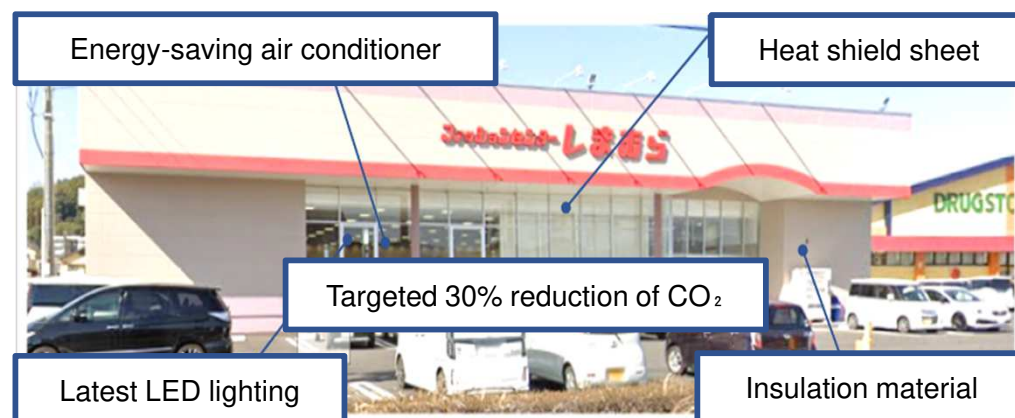
Start in 2H (the system was designed in 1H)

- Introduced a 7-hour work system (stores)
- Raise leaving time (Head office)

To be introduced in the next fiscal year (the system to be designed in 2H)

- Introduce a 3-day/week system (stores)

- Open experimental environmentally friendly stores (3 stores in 2H)



- Strengthen the role of apparel infrastructure

Expansion of stores offering shopping tours



Expansion of EC products for seniors



Consolidated Business Forecasts for FY2/24

- ▽ Net sales: 635.0 billion yen (+3.1% YoY). Operating income: 54.5 billion yen (+2.4% YoY)
- ▽ Annual dividends per share are expected to be 270 yen (up by 10 yen)
- ▽ We will respond appropriately to anticipated external risks and aim to achieve our sales and profit targets for the fiscal year as well.

(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	1,075.41yen	—	—	1,034. 57 yen	—
Dividend per share	270yen	—	—	260 yen	—

FY2/24 Store Openings and Closing Plan

▽ We revised annual number of stores to be opened by the group to 41. The number of stores to be closed remains at 26. The impact of the revision on business performance is negligible. This is because we are carefully selecting stores with an emphasis on profitability after opening. We will continue its policy of expanding store openings in the next fiscal year and beyond.

▽ Taiwan's Si meng le will open 3 stores per year due to its strong performance. We plan to expand store openings in the next fiscal year and beyond.

Business	Opening		Closing		End-FY2/24 Number of stores (Plan)
	Initial plan	Revised plan	Initial plan	Revised plan	
Shimamura	16	12	14	14	1,416
Avail	5	3	5	4	312
Birthday	18	14	2	3	324
Chambre	9	8	3	3	118
Divalo	1	1	1	1	16
Shimamura (non-consolidated)	49	38	25	25	2,186
Si meng le (Taiwan)	1	3	1	1	42
Shimamura (consolidated)	50	41	26	26	2,228

▽ **Risk of rising procurement costs: Respond by raising the unit price per product and restructuring the product procurement method.**

- ① Raise unit price per item: Continue to shift to new price ranges and expand high price ranges to secure appropriate purchase prices.
- ② Expanding Import Department purchases: Expand direct transactions with overseas suppliers to reduce purchase costs.
- ③ Reviewing the ratio of countries of production: Expand production in ASEAN countries to avoid country risk and reduce costs.

▽ **Risk of energy price hikes: Utility costs in 2H are expected to be lower than the initial plan as in 1H.**

- ① Utility expenses in 1H were up 5.0% YoY, and are expected to fall short of the initial plan in 2H due to power-saving measures at stores.
- ② In the medium- to long-term, we will respond by developing environmentally friendly stores and transfer centers, modal shift, etc.
- ③ Local stores, which have been severely affected by rising gasoline prices, will respond by increasing the number of EDLP items and bargain item flyers.

▽ **Climate change risk: Maintain appropriate inventories by expanding projects that are less susceptible to temperature fluctuations, additional production, etc.**

- ① Expand projects that are less susceptible to temperature fluctuations, such as fashion goods fairs and innerwear fairs.
- ② Reduce inventory risk by expanding additional production through fabric and sewing line contracts with suppliers.
- ③ Ensure appropriate inventory management by individual stores by continuing and evolving regional response according to climate and temperature.

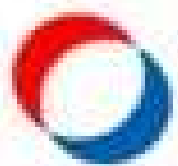
Financial Results Materials (Disclosed on the corporate website)

- ▽ Financial Results Briefing Materials (with comments): October 3 (Tuesday)
- ▽ Summary of Financial Results: October 3 (Tuesday)
- ▽ Financial Results (Summary of Question and Answer Session): October 4 (Wednesday)
- ▽ Financial Results Briefing (English version): October 5 (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.



JPX-NIKKEI 400



**FTSE Blossom
Japan Sector
Relative Index**