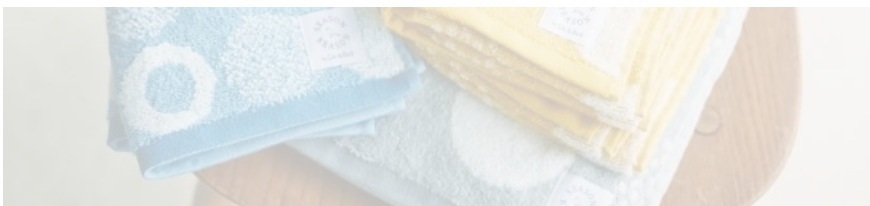




# Financial Results for FY2/24 and Medium-term Management Plan 2027

April 2, 2024

**しまむらグループ**



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# FY2/24 Summary

- ▽ Net sales and profits reached record highs despite continued severe weather for apparel sales.
- ▽ Gross profit and SG&A expenses were generally in line with plans, even in an environment of rising raw material costs.

## FY2/24 Consolidated Results

Net sales	Gross profit	Operating income	Net income
635 bn	218.5 bn	55.3 bn	40 bn
+3.1pt YoY	+4.1pt YoY	+3.8pt YoY	+5.4pt YoY

## Stores Opening/Closing

Opened	Closed	Number of stores at the end of period
41 stores	27 stores	2,227 stores

## EC Business

Sales	In-store pickup ratio
7.24 bn	87.6 %
+74.8pt YoY	+0.9pt YoY

## FY2/25 Forecasts and Store Opening and Closing Plans (Consolidated)

Net sales of period	Operating income	Opened	Closed	Number of stores at the end
659.6 bn	56.3 bn	43 stores	16 stores	2,254 stores
+3.9pt YoY	+1.9pt YoY			

# Consolidated Results: Income Statement

- ▽ Net sales: 635 billion yen (up 3.1% YoY). Record high for the full year.
- ▽ SG&A ratio: 25.9 %(+ 0.3pt YoY ). It was generally in line with the plan through effective cost control for the full year.
- ▽ Operating income: 55.3 billion yen (up 3.8% YoY). All profits reached record highs for the full year.

(Million yen/%)

	FY2/24	Ratio to sales	YoY	H1	YoY	H2	YoY
Net sales	635,091	100.0	103.1	316,838	105.1	318,252	101.1
Gross profit	218,561	34.4	104.1	109,225	105.3	109,336	102.9
SG&A	164,662	25.9	104.2	79,763	105.6	84,899	102.8
Operating income	55,308	8.7	103.8	30,173	104.3	25,134	103.1
Ordinary income	56,716	8.9	104.3	30,725	103.5	25,990	105.2
Net income attributable to owners of parent	40,084	6.3	105.4	20,954	101.6	19,130	109.9
Net income per share	545.35yen	—	—	285.07yen	—	—	—

\* Net income per share have been calculated on the presumption that the stock split was conducted at the beginning of the Fiscal year ending February 2023.



# Sales by Business

- ▽ Domestic sales increased by 2.9% YoY due to further enhancement of brand power, product lineup expansion, diversification of sales promotion methods, and enhancement of regional response.
- ▽ Sales of Si meng le (Taiwan) performed well, up 19.6% YoY, thanks to the expansion of PB and JB products and the use of digital sales promotions.

(Million yen/%)

Business	FY2/24	Composition ratio	YoY	H1	YoY	H2	YoY
Shimamura	476,957	75.1	103.3	237,325	105.4	239,632	101.3
Avail	61,688	9.7	102.8	31,626	106.9	30,062	98.8
Birthday	72,709	11.5	100.5	36,350	101.1	36,359	100.0
Chambre	14,836	2.3	101.3	7,521	104.2	7,314	98.5
Divalo	823	0.1	109.6	437	115.5	386	103.5
Shimamura (non-consolidated)	627,016	98.7	102.9	313,261	105.0	313,755	100.9
Si meng le (Taiwan)	8,074	1.3	119.6	3,577	118.3	4,497	120.7
Shimamura (consolidated)	635,091	100.0	103.1	316,838	105.1	318,252	101.1

# Consolidated Results: SG&A Expenses

- ▽ Personnel expenses: Up 5.9% YoY due to wage increases in spring. Large effect on eliminating labor shortages and lowering the turnover rate.
- ▽ Advertising expenses: Despite aggressive sales promotions such as the 70th anniversary sale, sales promotion expenses were limited to 1.9% of sales.
- ▽ Supplies expenses: Utility costs rose 0.9% YoY, below expectations, due to lower usage.

(Million yen/%)

	FY2/24	Ratio to sales	YoY	FY2/23	Ratio to sales	YoY
Salary	70,650	11.1	105.6	66,904	10.9	105.4
Total personnel expenses	83,180	13.1	105.9	78,580	12.8	105.8
Advertising expenses	11,949	1.9	102.8	11,626	1.9	100.0
Total selling expenses	20,031	3.2	104.1	19,235	3.1	103.6
Supplies expenses/Display fixtures expenses	2,226	0.4	108.3	2,056	0.3	98.4
EDP expenses	2,409	0.4	110.6	2,178	0.4	140.4
Total operating expenses	9,477	1.5	110.2	8,603	1.3	105.4
Rents	32,745	5.2	100.2	32,678	5.3	99.6
Depreciation and amortization	5,918	0.9	100.5	5,891	1.0	99.7
Total equipment cost	47,343	7.4	100.9	46,939	7.6	103.8
Total general expenses	4,629	0.7	97.9	4,730	0.8	106.6
Total SG&A expenses	164,662	25.9	104.2	158,088	25.6	104.9

# Consolidated Results: Balance Sheets

▽ Assets: Cash + Accounts receivable + investment securities up 3.6% YoY. Merchandise inventories increased by 5.3% YoY.

▽ Liabilities: Accounts payable-trade and asset-retirement obligations increased, and provision for bonuses decreased.

(Million yen/%)

	End-Feb. 2024	Composition ratio	YoY	End-Feb. 2023	Composition ratio
Current assets	344,887	64.6	103.8	332,416	66.1
Noncurrent assets	188,919	35.4	111.0	170,135	33.9
Total assets	533,807	100.0	106.2	502,552	100.0
Current liabilities	52,151	9.8	99.3	52,498	10.4
Noncurrent liabilities	10,247	1.9	102.4	10,005	2.0
Total liabilities	62,398	11.7	99.8	62,503	12.4
Total shareholder's equity	466,596	87.4	106.9	436,434	86.9
Accumulated other comprehensive income	4,811	0.9	133.1	3,614	0.7
Total net assets	471,408	88.3	107.1	440,048	87.6
Total liabilities and net assets	533,807	100.0	106.2	502,552	100.0

- ▽ Growth in existing store sales (Shimamura) : Sales grew due to product lineups that are less susceptible to temperature and product planning.
- ▽ Customer numbers declined in all businesses: the number of customers slightly declined from the previous year due to a slowdown in autumn winter items caused by the unusually hot summer and warm winter.
- ▽ Unit price per item rose: The main factors behind this were the shift to a new price ranges and the expansion of high-price range PB and JB products.

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	H1	105.7	105.4	100.1	97.2	105.3	108.5
	H2	101.5	101.3	98.3	97.4	103.1	105.8
	Full-year total	103.6	103.3	99.2	97.4	104.2	107.1
Avail	H1	107.5	106.9	101.2	97.7	105.6	108.3
	H2	99.2	98.8	95.9	98.0	103.1	105.1
	Full-year total	103.3	102.8	98.6	98.0	104.3	106.5
Birthday	H1	100.0	101.1	95.9	94.8	105.4	111.1
	H2	97.3	100.0	97.5	97.1	102.5	105.5
	Full-year total	98.6	100.5	96.7	95.9	103.9	108.3

# Gross profit, Price reduction, Inventory YoY



- ▽ Gross profit: In Shimamura and Avail, the gross margin improved thanks to an improved markup rate due to the shift to a new price range and other factors.
- ▽ Price reduction: In each business, the price reduction rate was generally in line with the plan through appropriate inventory control and utilization of short-term production.
- ▽ Inventory: In each business, the increase in inventory is due to the increase in the unit price per item.

(%, pt)

Business	Period	Gross profit			Discount			Inventory
		Gross Profit YoY	Gross margin		Discount price YoY	Discount rate		Inventory YoY
				YoY			YoY	
Shimamura	H1	106.1	33.7	+ 0.2	113.3	6.4	+ 0.5	104.4
	H2	103.5	33.6	+ 0.7	106.2	6.6	+ 0.3	103.5
	Full-year total	104.8	33.7	+ 0.5	109.6	6.5	+ 0.4	103.9
Avail	H1	106.3	38.5	− 0.2	104.8	13.8	− 0.3	109.4
	H2	100.9	39.2	+ 0.8	89.1	12.6	− 1.4	102.2
	Full-year total	103.6	38.8	+ 0.3	96.9	13.2	− 0.9	105.6
Birthday	H1	98.3	34.0	− 1.0	136.9	5.3	+ 1.4	110.7
	H2	100.1	33.8	± 0.0	97.2	4.5	− 0.2	106.7
	Full-year total	99.1	33.9	− 0.5	115.2	4.9	+0.6	108.6

## Strengthening product appeal and sales power

- ▽ Further enhancement of brands: PB ratio was 22.3%, and sales increased by 10.2% YoY.
  - High-priced PB “CLOSHI PREMIUM” sales increased by 37.7% YoY. Successful expansion of the high-priced range.
  - JB ratio was 8.5%, and sales increased by 10.7% YoY. Improved planning and proposal power and product completeness.
- ▽ Diversification of sales promotion: The 70th anniversary project was a success. Promote increased brand awareness by opening pop-up stores.

### Refine PB and JB

#### ◇PB: “FIBER HEAT”

High consumption of warm SUPER PREMIUM



#### ◇JB: Develop products with a focus on materials



### Expansion of product lineup

#### ◇Line lobbying: cosmetics and beauty



#### Opening of pop-up stores



### Successful 70th anniversary project

#### ◇70th anniversary limited project



#### ◇Launch of "valuable special value"





## Strengthening product appeal and sales power

- ▽ Avail: Sales increased by 2.8% YoY. JB sales increased by 17.0% YoY, and JB ratio was 43.9%.  
Strengthen trend and character proposals. Diversification of regional and individual store response.
- ▽ Birthday: Sales increased by 0.5% YoY. JB sales increased by 2.2% YoY. EC performed well with digital sales promotion.

### Avail Business

#### ◇ Strengthen trend proposals by JB



#### ◇ Strengthen character proposals



#### ◇ Motivation planning by JB



### Birthday Business



#### ◇ Development of store exclusive brands



### Avail × Birthday collaboration



#### ◇ Strengthening digital sales promotion





## Strengthening product appeal and sales power

- ▽ Chambre Business: Outerwear of JB drove sales. Strengthening digital sales promotion leads to the acquisition of new customers.
- ▽ Divalo Business: Strengthen proposals for “shoes and clothes” coordinates and digital sales promotions such as social media.
- ▽ Si meng le Business: Record high sales of 8.07 billion yen due to the expansion of original Taiwanese products and strengthening of digital sales promotion, etc.
- ▽ EC Business: sales increased by 74.8% YoY. Significant sales growth due to the expansion of custom-made production and supplier-delivered products, etc.

### Chambre Business

◇ Outerwear of JB drove sales



### Divalo Business

◇ Total proposal for outerwear and shoes ◇ Strengthen digital sales promotions



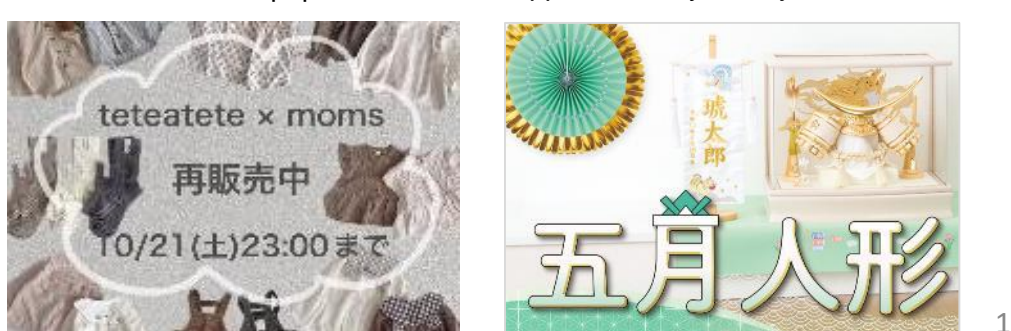
### Si meng le Business

◇ Expansion of original products ◇ Strengthen digital sales promotions



### EC Business

◇ Resale orders for popular items ◇ Supplier delivery of major merchandise



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# Consolidated Business Forecasts for FY2/25

- ▽ Net sales: Up 3.9% YoY, Operating income: up 1.9% YoY (plan)
- ▽ SG&A: Up 4.8% YoY. Personnel expenses increased by 6.2% YoY, and repair expenses due to renovations of existing stores are planned to rise.
- ▽ Dividend per share: Annual dividend is expected to be 190 yen .

(Million yen/%)

	FY2/25 Forecast	YoY	Ratio to sales	FY2/24 Result	Ratio to sales
Net sales	659,622	103.9	100.0	635,091	100.0
Gross profit	227,448	104.1	34.5	218,561	34.4
SG&A	172,624	104.8	26.2	164,662	25.9
Operating income	56,362	101.9	8.5	55,308	8.7
Ordinary income	57,694	101.7	8.7	56,716	8.9
Net income attributable to owners of parent	40,194	100.3	6.1	40,084	6.3
Net income per share	546.83yen	—	—	545.35yen	—
Dividend per share	190yen	—	—	280yen	—

\*The Company conducted a 2-for-1 stock split of shares of common stock on February 21, 2024. The Company has calculated "net income per share" as if the stock split had been conducted at the beginning of the fiscal year ended February 29, 2024. The "dividend per share" for the fiscal year ended February 29, 2024 is the actual dividend amount before the stock split.

## A unified theme “Next Challenge 1st: Changing the Obvious”

▽ We will change the way we think about all things “Obvious” and take on new challenges in all departments, including product creation, sales floor presentation, organization and human resource development, systems, and site development.

### Strengthening product appeal

- Improve brand power by developing hit products and evolving our brands and planned products
- Acquire new customers through promotion of line-lobbing
- Strengthen product development power by enhancing data analysis

### Strengthening sales power

- Diversify sales promotion methods and promote digitization
- Optimize products, sales floors, and sales promotions according to store characteristics
- Digitalization of sales promotion and improvement of visual merchandising
- Improve customer service skills and store loyalty by creating easy-to-buy sales floors

### Strengthening the base and foundation

- Improve labor productivity by restructuring store operations and streamlining head office operations
- Strengthening urban store openings, relocating, renovating, and converting stores into fashion malls
- Rebuild the supply chain by reviewing production countries and utilizing Import Department
- Promote human resource strategies to realize [good company] with a good work environment and decent work
- Promote sustainable Shimamura-style ESG through core business
- Expand EC and Si meng le businesses, and research new foreign businesses

# FY2/25 Stores Opening/Closing and Renovation Plan

▽ Group total: open 43 new stores, close 16 stores. (net increase of 27 stores)

Improve store profitability by expanding relocation and fashion mall format store openings.

Plan to open stores in central Tokyo and strengthen surveys of store opening locations in the Chukyo area.

▽ Renovation plan: 40 stores. Improve loyalty at existing stores. Promote environmental consideration by replacing it with the latest equipment.

Business	End-FY2/24 Number of stores	Planned opening stores	Planned closing stores	End-FY2/25 Number of stores (Plan)	Number of renovation plan
Shimamura	1,415	14	9	1,420	34
Avail	312	5	3	314	5
Birthday	324	16	3	337	1
<b>Chambre</b>	118	5	0	123	0
Divalo	16	0	0	16	0
Shimamura (non-consolidated)	2,185	40	15	2,210	40
<b>Si meng le</b> (Taiwan)	42	3	1	44	0
Shimamura (consolidated)	2,227	43	16	2,254	40

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## Medium-Term Management Plan 2027



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### 2 The New Medium-Term Management Plan: Next Challenge





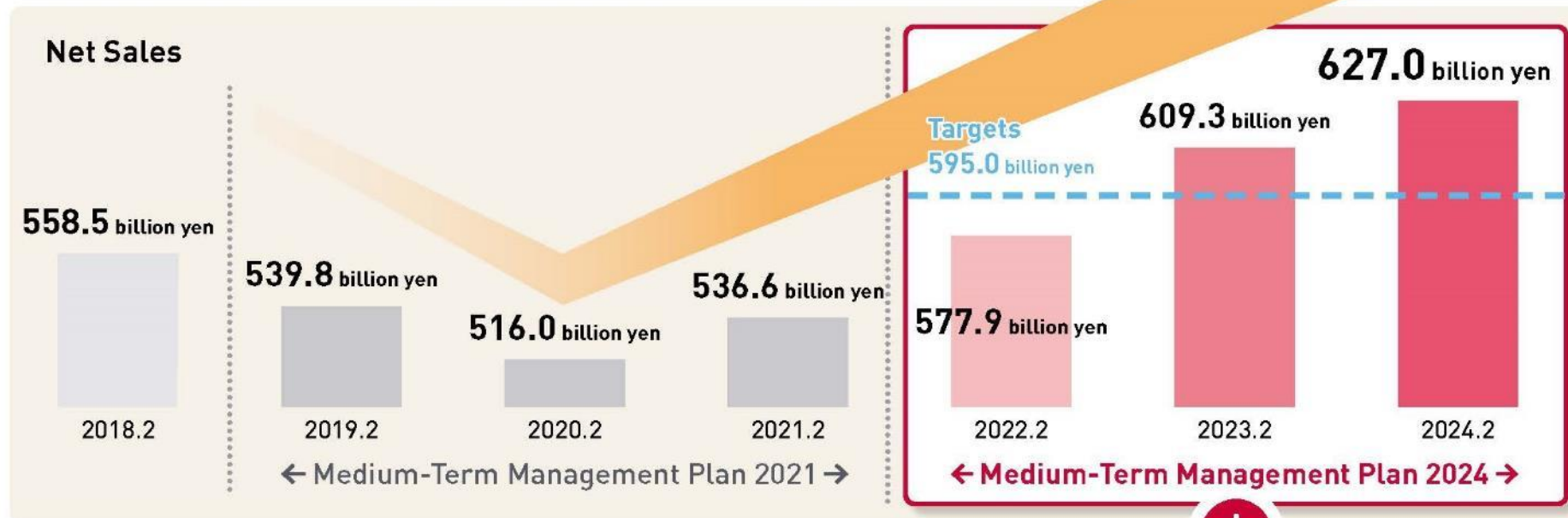
## Domestic Results

## Assessment of KPIs

	FY 2/2021 Results	FY 2/2024 Targets	FY 2/2024 Results	Assessment
Net sales	536.6 billion yen	595.0 billion yen → Revised upward to 628.0 billion yen	627.0 billion yen	○
Operating profit	38.1 billion yen	49.3 billion yen → Revised upward to 54.5 billion yen	54.9 billion yen	○
Operating profit ratio	7.1%	8.3% → Revised upward to 8.7%	8.8%	○
Number of store openings	3-year period 110 stores	3-year period 100 stores	3-year period 89 stores	×
ROE	7.0%	7.0% over → Revised upward to 8.0% or higher	9.1%	○

# Domestic Results

## Assessment of Net Sales



### Positives

#### Domestic sales targets reached one year ahead of schedule

- Medium-Term Management Plan 2024 facilitated a V-shaped recovery following a consecutive three-year decline from FY 2/2018 to FY 2/2020

### Negatives

#### Fell short of net sales target for e-commerce (7.2 billion yen, or 60.4% of target)

- Target was not achieved due to priorities of eschewing third-party logistics and increasing the profit margin of proprietary e-commerce; however, continuing customer referrals between physical stores contributed to higher sales at these stores

### Net sales

**627.0**  
billion yen

### Targets

**595.0**  
billion yen

### Target achievement ratio

**105.4%**

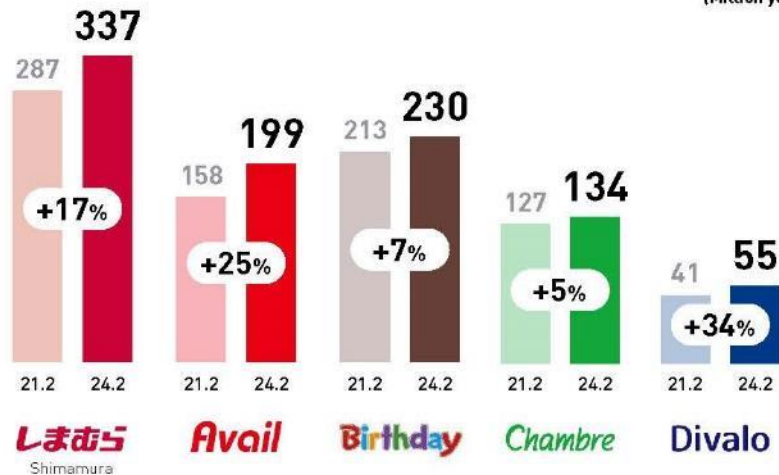
# Domestic Results

## Assessment of Results by Business (Net Sales Per Existing Store, Operating Income Margin)

### Net Sales Per Existing Store

Net sales per existing store increased across all businesses

(Million yen)

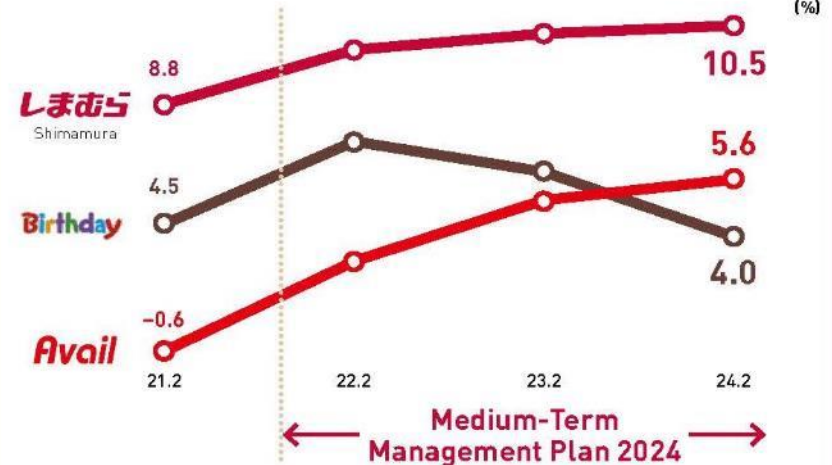


Growth among existing stores will lay foundation for expanding scale of operations

### Operating Income Margin

Shimamura maintained profit at high level and grew steadily as base of revenue

(%)



Operating income for each business is calculated by dividing head office and distribution center expenses proportionally

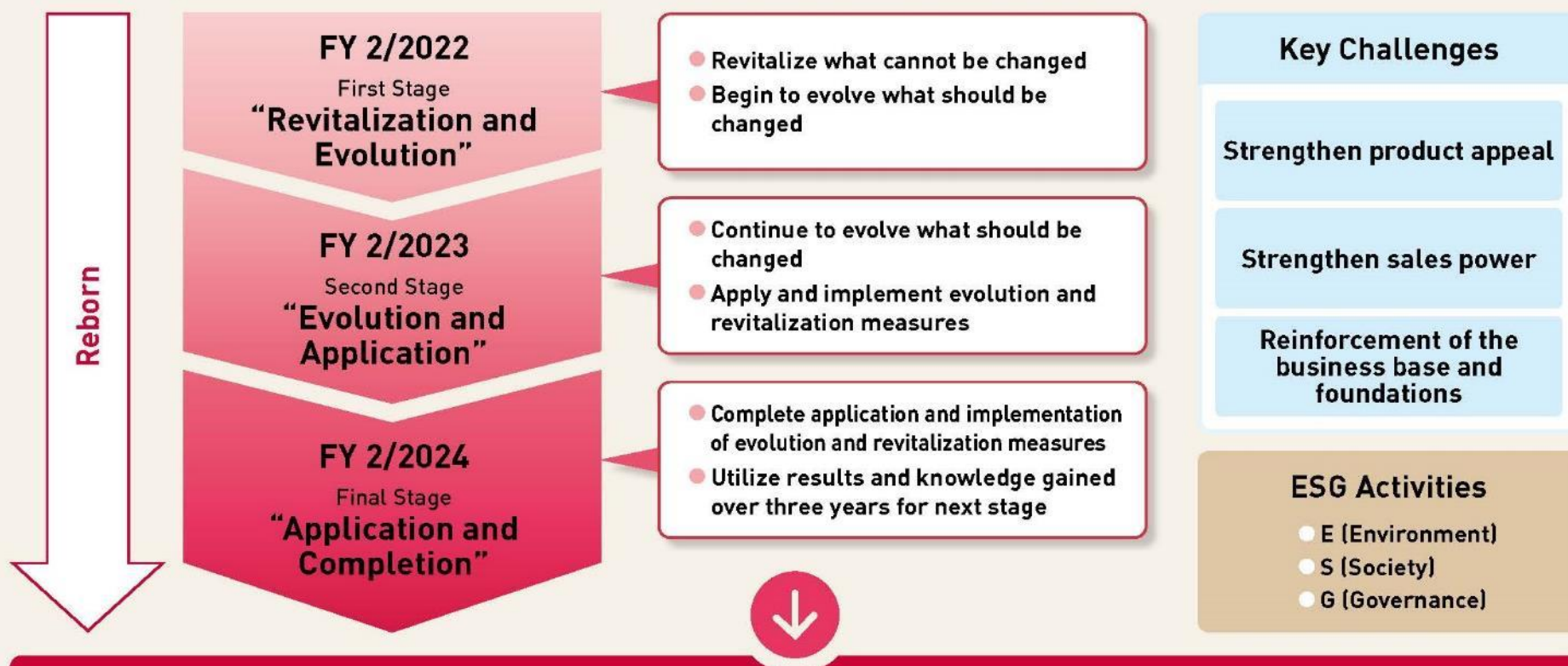


Avail and Birthday face issues with further improving profitability



# Basic Policy

## Basic Policy



Over its three-year period, the previous medium-term management plan “Reborn” lived up to its name, returning the Shimamura Group to its original brilliance while laying the **foundation for the Group’s next stage of growth**

# Basic Policy

## Efforts to Address Key Challenges

Policy	Initiatives	Results	Assessment
Strengthen Product Appeal	Strengthen the product brand appeal	Increased product brand appeal by enhancing development of private brand and joint development brand (PB/JB) products, and planned products (collaborations with influencers and products featuring popular characters)	○
	Strengthen supply chain	Established a production system that can hedge against risks such as those related to short-term production, fabric contracts, and line contracts by strengthening cooperation with business partners	
	Strengthen individual store response according to store and regional characteristics	Improved products, sales promotions, and sales floors by region and store, leading to increased sales at existing stores	
Strengthen Sales Power	Diversify sales promotion methods	Made segment-specific sales promotions and was effective in increasing sales, thanks to minimizing the use of insert flyers and expanding digital advertising	○
	Improve sales floor layouts	Completed the transition to new layouts at all Shimamura, Avail, and Birthday stores, and improvements are underway to make sales floors more accommodating to shoppers	
Reinforcement of the Business Base and Foundations	Expand and strengthen e-commerce	Achieved a high profit margin, although the e-commerce ratio target of 2% was not achieved due to a policy of eschewing third-party logistics and increasing the profit margin of proprietary e-commerce	△
	Promote DX	Improved the efficiency of store work through use of tablets, but utilization of purchasing data analysis driven by customer management systems will not be considered until the next medium-term management plan	
	Relaunch Divalo business, operator of specialty shoe stores	Grew sales at existing stores after establishing a store format featuring shoes, women's clothing, and fashion accessories; opened two new stores, but profitability is an issue	
	Optimize expenses	Significantly reduced SG&A expenses ratio through digitalization of advertising while actively increasing wages	

## ESG Activities

## Assessment of ESG Activities

	Priority issues	Indicator	FY 2/2024 Targets	FY 2/2024 Results	Assessment
E	▶ Circular economy promotion	Complete recycling ratio of hangers*1	60.0%	60.1%	○
	▶ Reduction of GHG emissions	Zero product disposal*2	Zero product disposal	Zero product disposal	○
	▶ Sustainable procurement	Purchase ratio of sustainable products*3	20.0%	35.3%	○
		Usage ratio of sustainable auxiliary materials*4	100%	100%	○
S	▶ Activities by diverse human resources	Ratio of female managers*5	20.0%	17.6%	×
		Employment ratio of people with disabilities	5.0%	4.7%	×
G	▶ Governance tightening	Number of non-implemented principles of the Corporate Governance Code	Zero non-implemented principles	Zero non-implemented principles	○

\*1 Plastic hangers in the Company's designated colors that come with products \*2 Shimamura has currently achieved zero product disposal. We will continue these initiatives in the future.

\*3 Shimamura business private brand (PB) CLOSSHI \*4 Shimamura business PB CLOSSHI and PBs of other businesses \*5 Ratio of female managers in the senior class and above



# ESG Activities

## Evaluation of ESG Activities by External Parties

### ▶ Listed on four of six ESG indexes adopted by GPIF

#### Listed on following ESG indexes

- MSCI Japan Empowering Women Index (WIN)\*
- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index

#### 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



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#### About MSCI ESG Ratings

MSCI ESG Ratings are given to companies worldwide based on their ESG initiatives and information disclosure, and Shimamura Co., Ltd. has received an MSCI ESG Rating of "BBB"

##### ESG Ratings



#### Positives

- Upgraded two ratings from "B" to "BBB" for strong ESG initiatives implemented over the three years of Medium-Term Management Plan 2024

#### Future Challenges

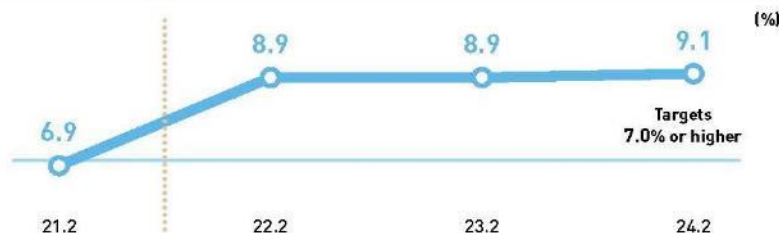
- Further promote ESG activities to improve external evaluations



# Capital Policy

## Assessment of Capital Policy

### ROE



### Capital Investment Targets and Results



## Dividends and Earnings Per Share (EPS)

	19.2	20.2	21.2	22.2	23.2	24.2
Dividends	200	200	220	240	260	280
EPS	443	292	699	960	1,029	1,126



\* Pre stock split dividends and EPS amounts

### Return on Capital

- ROE remained stable at around 9.0% due to growth in net income, facilitating a high return on capital
- Conducting business with an awareness of capital costs and return on capital was discussed actively at Board meetings and reflected in Medium-Term Management Plan 2027

### Allocation of Managerial Resources

- Capital investment remained an issue, with low levels continuing in relation to insufficient store openings, and unused amounts being transferred to internal reserves
- Dividends were provided stably and according to plan with a dividend payout ratio of 25.0% and DOE of approximately 2.0%. The Board of Directors discussed the suitability of the dividend policy as preparation for Medium-Term Management Plan 2027

## Challenges for the Next Medium-Term Management Plan

### Major Challenges in the Next Medium-Term Management Plan

#### ▶ **Reconstructing Our Business Portfolio**

Shift from an earnings structure rooted in the Shimamura business to a structure that secures earnings Groupwide

#### ▶ **Strengthening Our Product Appeal and Sales Power, Reinforcing Our Business Base and Foundation**

Fine-tune initiatives implemented under Medium-Term Management Plan 2024 while taking on new challenges

#### ▶ **Improving Our Capital Policy**

Improve capital efficiency and allocate managerial resources appropriately to increase sustainable growth and corporate value

#### ▶ **Implementing ESG Initiatives**

Further promote a sustainable “ESG response by Shimamura” through our main businesses

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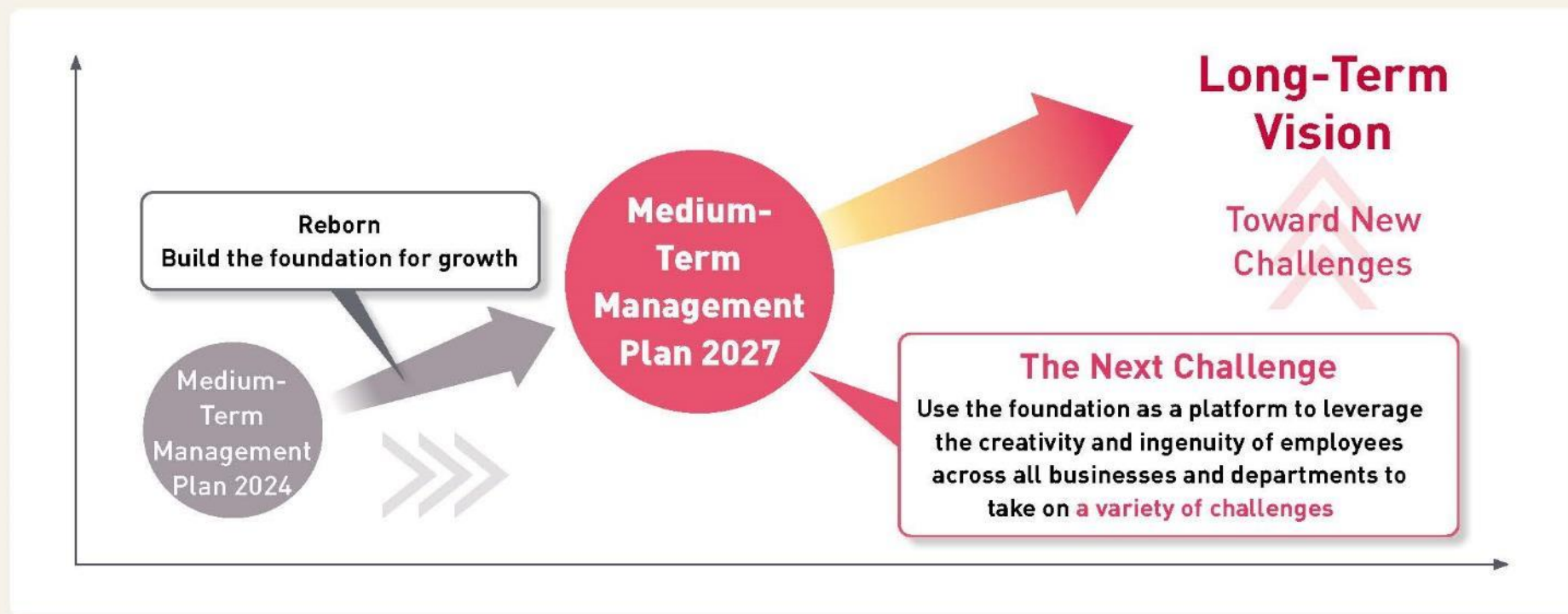


# Basic Policy of Medium-Term Management Plan 2027

## Basic policy

### “The Next Challenge (Pursuing Further Growth)”

- ▶ We will harness the creativity and ingenuity of our employees to build upon the strengths of the Shimamura Group.
- ▶ We will expand our scale of operations by driving up performance in existing stores and making active efforts to open new stores, while conducting efficient operations to increase profitability.

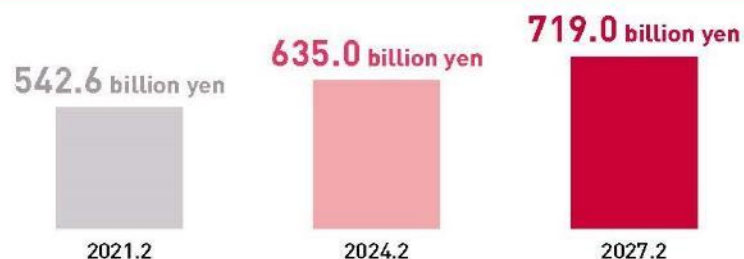


# Numerical Targets

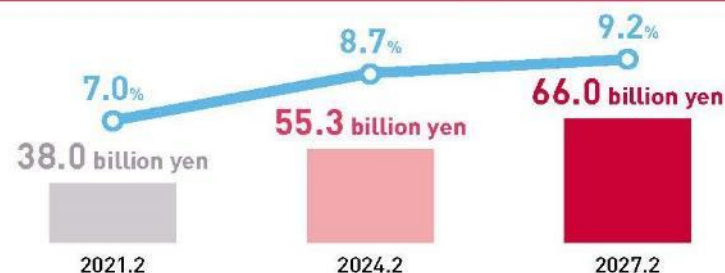
## Numerical Targets (Consolidated)

	Medium-Term Management Plan 2024		Medium-Term Management Plan 2027
	FY 2/2021	FY 2/2024	FY 2/2027 (Targets)
Net sales	542.6 billion yen	635.0 billion yen	719.0 billion yen
Operating profit	38.0 billion yen	55.3 billion yen	66.0 billion yen
Operating profit ratio	7.0%	8.7%	9.2%
ROE	7.0%	8.8%	Approx. 8.0%
Domestic store openings (3-year period)	110 stores	89 stores	150 stores

### Net Sales



### Operating profit / Operating Profit Ratio

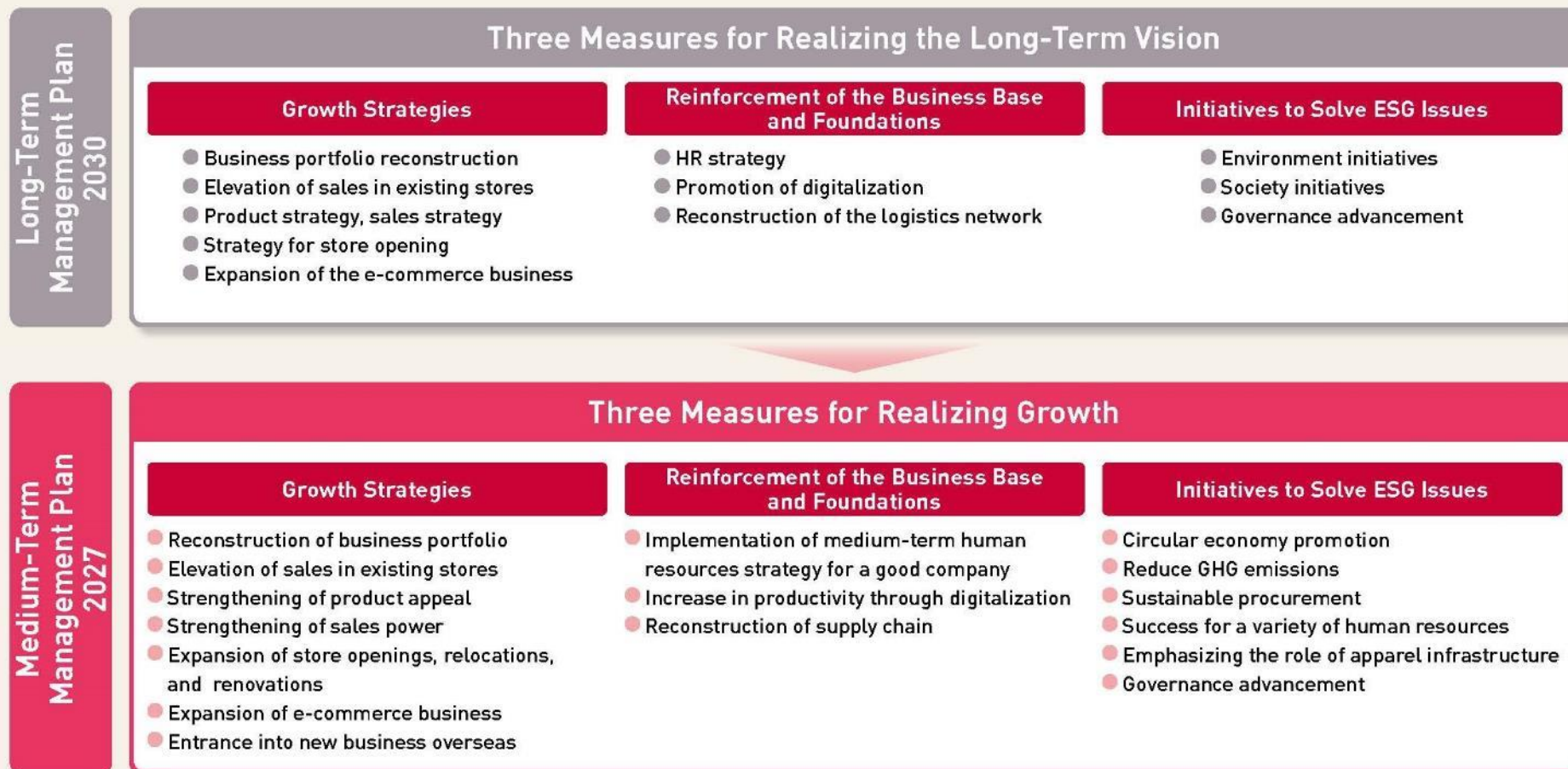


\* Exchange rate 1NT\$ = ¥4.79 from FY 2/2024

# Three Measures for Pursuing Growth

## Overall Structure

### ▶ Three Measures Aimed at Realizing Our Long-Term Vision





# Three Measures for Pursuing Growth

## Growth Strategy—Reconstruction of Business Portfolio



### FY 2/2024: Reconstruction of portfolio at intermediary stage

- **Shimamura**: ..... Achieved stable profitability
- **Avail, Birthday**: ..... Issue of profitability
- **Chambre, Divalo**: ..... Issue of growth
- **Shimamura (TAIWAN)**: ..... Treated as business to be fostered after turning profit
- **Online store**: ..... Improved profitability and became a key element of our emphasis on growth-driving businesses

### FY 2/2027: Elevation of businesses other than Shimamura + entry into new businesses

- **Shimamura**: ..... Maintain high profitability
- **Avail, Birthday**: ..... Improve profitability to become growth-driving business
- **Chambre**: ..... Return to profitability by relaunching existing stores
- **Divalo**: ..... Create foundation for growth by improving new model stores
- **Shimamura (TAIWAN)**:  
**Online store**: ..... Continue to improve sales  
**New business**: ..... Treat new businesses as challenges to be fostered



## Three Measures for Pursuing Growth

### Growth Strategy—Elevation of Sales in Existing Stores

Ongoing marketing polarization and withdrawal

Expand market share through continued emphasis on Shimamura's strengths (high sensitivity, high quality, and low prices) and low-cost operations



### Efforts to Increase Sales for Each Existing Store

- Strengthening product appeal: ..... Broaden product lineup to expand range of target customers P34
- Strengthening sales power: ..... Utilize customer management system to facilitate effective sales promotions P35
- Expansion of E-Commerce Business: ..... Promote an Online Merges with Offline (OMO) strategy to expand mutual use of e-commerce and brick-and-mortar stores P39
- Expansion of Store Openings, Relocations, and Renovations: ..... Relocate stores to expand regional shares and renovate to improve store loyalty P36-38

## Three Measures for Pursuing Growth

### Growth Strategy—Strengthening of Product Appeal

#### Increase Brand Power

**Boost brand power and increase store loyalty**

- ▶ Develop mega-hit items
- ▶ Expand lineup of high-price range products
- ▶ Evolve proprietary brands and planned products

#### Expand Product Lineup

**Broaden product lineup to expand range of customers**

- ▶ Expand product categories
- ▶ Expand available clothing sizes
- ▶ Expand target age rangeplanned products

#### Enhance Product Development

**Utilize more sophisticated data analysis to strengthen product development**

- ▶ Develop products involving collaborations with influencers and products featuring popular characters based on analysis of demand and trends
- ▶ Utilize customer target analysis to optimize product mix



Keyword search (Japanese only)

### Initiatives for More Sophisticated Data Analysis (Market Research Department)

- Research trends and demand using social media and search analysis to reveal potential new products
- Utilize customer membership data to analyze purchasing trends and improve product mix

# Three Measures for Pursuing Growth

## Growth Strategy—Strengthening of Sales Power

### Diversify Sales Promotion Methods

Previous Medium-Term  
Management Plan (Prior to 2020)

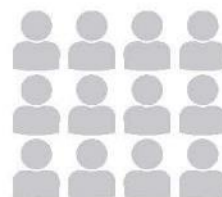
Medium-Term Management Plan 2024

Medium-Term Management Plan 2027

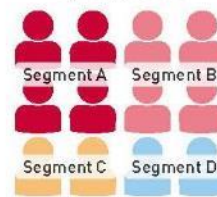
1 Mass marketing

1 Mass marketing  
+  
2 Mass marketing by segment

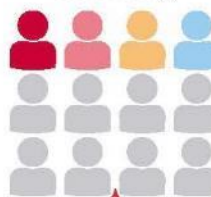
1 Mass marketing



2 Mass marketing  
by segment



3 Individualized  
marketing



3 Measures to enable  
individualized marketing

Customer  
Management  
System



- Gender
- Age
- Purchasing history



- Implement individualize sales promotions tailored to each customer
- Review distribution areas for insert flyers
- Reorganize sales floors

**Improvement of store displays, presentation, and customer service skills**

- Optimize products, sales floors, and sales promotions to match regional characteristics
- Digitalize in-store promotions and improve visual merchandising (VMD)
- Improve store loyalty through improved customer service skills and sales floors that are more accommodating to customers



## Three Measures for Pursuing Growth

### Growth Strategy—Expansion of Store Openings, Relocations, and Renovations

#### Plans for Domestic Store Openings and Renovations

	Medium-Term Management Plan 2024 (Result)	Medium-Term Management Plan 2027 (Targets)
Number of store openings (3-year period)	89 stores	150 stores
Number of stores renovated (3-year period)	19 stores	150 stores

#### Key measures

- Ramp up store openings in urban areas
- Open pop-up stores to increase awareness
- Renovate to improve store loyalty
- Relocate stores to optimize dominant strategy (concentrated store openings in specific areas)
- Utilize fashion malls (FM) to increase profitability
- Expand stores to facilitate broader product lineups
- Increase number of employees working in development and store construction to facilitate more store openings and renovations

PICKUP 1

PICKUP 2

PICKUP 3

PICKUP 4

## Three Measures for Pursuing Growth

### Growth Strategy—Expansion of Store Openings, Relocations, and Renovations

#### PICKUP 1

#### Ramp Up Store Openings in Urban Areas

To date: Development of high-density stores using dominant strategy, with focus on suburban areas

Going forward: Expansion of store openings to include highly populated urban areas in addition to suburban areas

##### Key points

- Utilize e-commerce purchasing data to understand underlying customer needs in urban areas
- Increase net sales to floor area ratio by increasing store openings in urban areas where strong profitability is expected
- Increase number of employees working in development and store construction

#### PICKUP 2

#### Open Pop-Up Stores to Increase Awareness

To date: Low awareness of Shimamura in urban areas, with low number of stores

Going forward: Greater awareness in urban areas by opening pop-up stores, which bear less risk

##### Key points

- Build Shimamura fanbase by opening stores in urban areas
- Direct customers from pop-up stores toward e-commerce



Hakata Bus Terminal store



Pop-up store at a department store



Pop-up stores at events



## Three Measures for Pursuing Growth

### Growth Strategy—Expansion of Store Openings, Relocations, and Renovations

#### PICKUP 3

#### Renovate to Improve Store Loyalty

To date: Renovation of stores with noticeable deterioration, focusing on stores with top sales

Going forward: Active renovation of stores that have deteriorated over time, regardless of sales activity

##### Key points

- Improve store loyalty, which will increase sales, through improved shopping environments
- Reduce power consumption and CO<sub>2</sub> emissions by upgrading to latest energy-saving equipment
- FY 2/2024 results: Net sales increased by 5–12% after renovations

#### PICKUP 4

#### Relocate Stores to Optimize Dominant Strategy

To date: Open stores in vacant area based on existing store locations

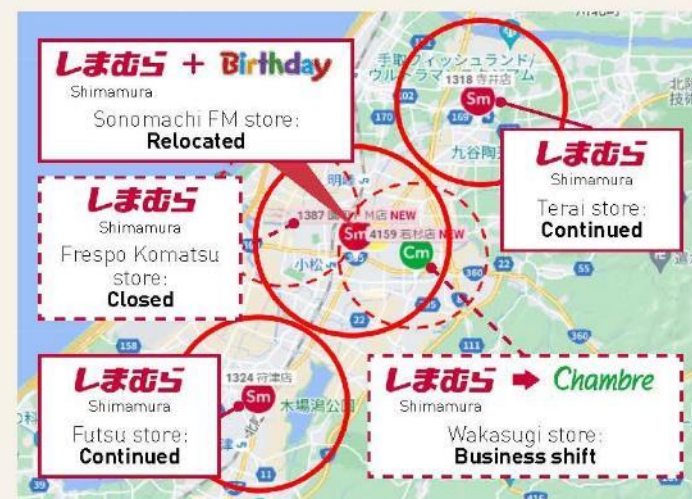
Going forward: Close underperforming stores and relocate stores in areas undergoing a commercial shift

##### Key points

- Improve profitability by rebuilding area dominance
- Operate multiple business in line with relocation
- Increase number of employees working in development and store construction



Interior renovations

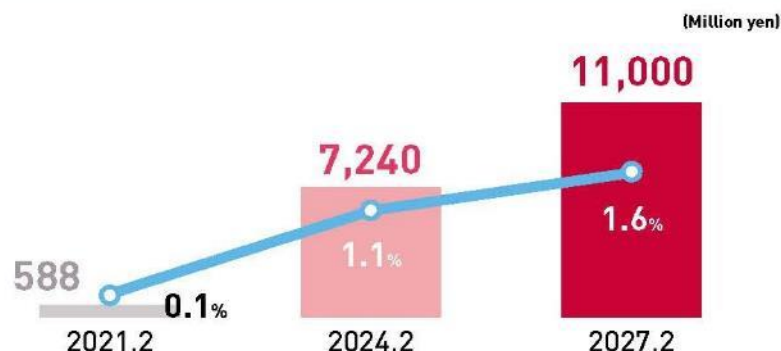


Past example: Maintained total sales while consolidating Shimamura business from 4 stores to 3

# Three Measures for Pursuing Growth

## Growth Strategy—Expansion of E-Commerce Business

### E-Commerce Net Sales and Ratio



### Product Strategy

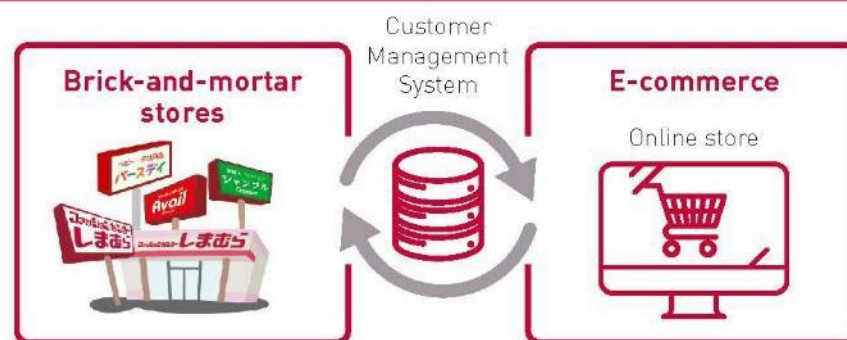
- Increase range of planned product appeal exclusive to e-commerce  
Discover new influencer products, character products, etc.
- Expand handling of products that complement store lineups  
Due to space limitations, brick-and-mortar stores cannot handle large items such as Hina dolls and irregular clothing sizes [SS/S, 5L/6L]
- Launch Di business (scheduled for FY 2/2026)

### Promotion of OMO Strategy

Expand use of both stores and e-commerce through unified management of member information

### Utilization of Customer Management System

Utilize data related to gender, age, purchasing history, and other factors to support recommendations and other sales promotions





# Three Measures for Pursuing Growth

## Growth Strategy—Expansion of E-Commerce Business (Domestic)

E-commerce to date: Operated by individual stores

E-commerce sites operated  
by each business segment



E-commerce going forward:  
Shopping mall format scheduled for FY 2/2026

Operate a unified e-commerce site  
for the Shimamura Group



Customers can  
place items from  
across businesses  
in same cart for  
greater  
convenience

### Other Initiatives



#### Increase the efficiency of e-commerce logistics

- Create store inventory allocation system (a system that checks if products ordered online are in stock at nearby brick-and-mortar stores, allowing for more efficient product coordination)
- Expand system to deliver products directly to Transfer Centers bypassing E-Commerce Centers



#### Improve convenience of in-store payments

- Enable cross-business payments  
(e.g., customers can order Shimamura products online and pay at Avail stores)



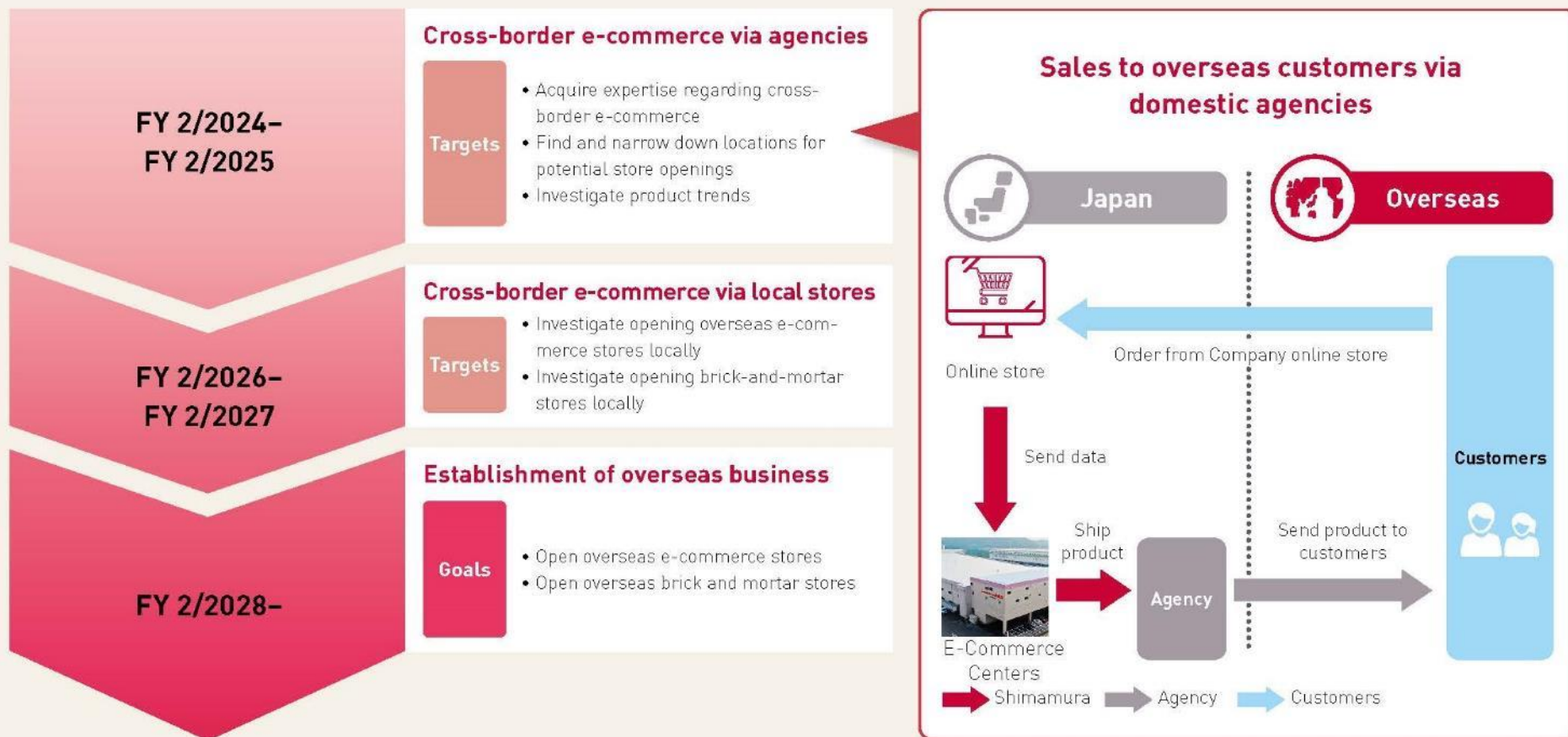
#### Business-to-Business (B2B)

- Sell products for hospitals and other facilities

# Three Measures for Pursuing Growth

## Growth Strategy—Entrance into New Business Overseas

### ▶ Establish Overseas Business via Cross-Border E-Commerce





## Three Measures for Pursuing Growth

### Reinforcement of the Business Base and Foundations—Implementation of Medium-Term Human Resources Strategy for a Good Company

#### Create an organization that helps achieve long-term management plans

- Realign organization in line with business expansion
- Secure new and develop existing human resources capable of addressing complex management issues
- Secure and assign human resources necessary and appropriate to ensuring efficient business operations and reassign them appropriately

#### Maximize employee performance

- Establish talent management system to facilitate strategic allocation of resources
- Update vision of ideal human resources and expand employee training accordingly

A “good company” with comfortable and rewarding work conditions

#### Create a satisfying work environment

- Restructure salary system and conduct fair worker evaluations
- Continue initiatives that lower turnover rate
- Research and conduct engagement surveys

#### Diversity, equity, and inclusion

- Ratio of female managers 23% (by FY 2/2027)  
Stores: Expand training aimed at increasing number of candidates for senior positions and diversify recruitment methods  
Head office: Expand measures to help women continue their careers over the long term and implement curriculum for promoting the success of women
- Maintain 5% employment rate of people with disabilities
- Expand support system for work-life balance (childcare/nursing care support)

# Three Measures for Pursuing Growth

## Reinforcement of the Business Base and Foundations—Increase Productivity Through Digitalization

### ● Utilization of Customer Management System

#### Medium-Term Management Plan 2024

Introduce system, begin data accumulation

#### Medium-Term Management Plan 2027

Accumulate and utilize data, maximize effectiveness

#### Enhance member benefits

(Offer points and other forms of monetary value)

#### Enhance member benefits

Increase membership numbers

Improve accuracy of accumulated data

Maximize effectiveness

### Store Opening Measures

- Increase sophistication of trade area analysis
- Select optimal locations

### Products, Sales Promotions, and Sales Floor Measures

- Change product lineup
- Increase sophistication of individualized sales promotions
- Optimize sales floor layouts

### Customer Service Measures (App Features)

- FY 2/2026 ● Add mending request feature\*1
- FY 2/2027 ● Improve inventory search feature

\*1 Feature that allows customers to request pants hemming and other mending services

### Recommendation Optimization Measures

- FY 2/2025 ● Coordinate recommendations with shopping history
- FY 2/2026 ● Recommend new items
- FY 2/2027 ● Inform customers regarding price reductions

## Digitalization of Store Work



Cashless registers



Automatic change dispensers



Tablets



Digital point of purchase (POP) marketing

# Three Measures for Pursuing Growth

## Reinforcement of the Business Base and Foundations—Reconstruction of Supply Chain

Risks that could obstruct the supply chain



Reconstruction of supply chain to address risks

### External Risks

#### Product procurement risks

- 1 Country risks could destabilize product supply
- 2 Purchasing costs could rise due to a sharp rise in price of raw materials, labor, etc.

### Internal Risks

#### Domestic logistic capacity insufficient to match expansion

- 1 Transfer Centers may age out or lack required capacity
- 2 E-Commerce Centers may be insufficient (currently limited to Higashi-Matsuyama Transfer Center)



Overseas

Production



Japan

Logistics



#### ● Increase purchasing by Import Department

Reduce purchasing costs by increasing direct transactions with overseas suppliers

	FY 2/2024 Results	FY 2/2027 Targets
Transaction volume	33.5 billion yen	50.0 billion yen
Direct purchasing rate	8%	14%

#### ● Review countries of production to ensure steady supply

Disperse reliance on countries of production to hedge risks  
Reducing purchasing costs by increasing production in ASEAN region

#### ● Review production system

Investigate fabric and line contracts as well as alliances of factories and inspection companies

#### ● Rebuild domestic logistics network (equal to net sales of 800.0 billion yen and upward)

Make preparations for new E-Commerce Center in Tenri, Nara Prefecture  
Make preparations to relocate aging Transfer Centers



## Three Measures for Pursuing Growth

### Initiatives to Solve ESG Issues

#### Management Mission

The Shimamura Group will build a “good company” for employees, customers, business partners, society, and shareholders.



#### Accomplishing Our Management Mission

Accomplish our management plan through sustainable growth

#### Accomplishing Our Management Plan

Put forth a sustainable “ESG response by Shimamura” through our main businesses



# Three Measures for Pursuing Growth

## Initiatives to Solve ESG Issues

	Priority issues	Initiative Items and Targets	Applicable SDGs
E	▶ Circular economy promotion	Complete recycling ratio of hangers 75.0%* <sup>1</sup> Complete recycling ratio of plastics 50.0%* <sup>2</sup>	11 12 13 14 15
	▶ Reduction of GHG emissions	Continuation of zero product waste* <sup>3</sup> GHG emissions (Scope 1 and 2) 60% reduction (compared with 2013)	11 12 13 14 15
	▶ Sustainable procurement	Purchase ratio of sustainable products 40.0%* <sup>4</sup> Continuation and evolution of suppliers' CoC compliance structure	11 12 13 14 15
S	▶ Activities by diverse human resources	Ratio of female managers 23.0%* <sup>5</sup> Employment ratio of people with disabilities 5.0%	5 8 16 17
	▶ Enhancement of roles of the clothing infrastructure	Sales target 130 million yen* <sup>6</sup> Implementation of traveling sale and acceptance of shopping tours Expansion of online store	11 17
	▶ Evolution of governance	Promotion of debate over the growth strategies and capital policy Continuation and evolution of risk management Fostering of successors Ensuring diversity and appropriate scale of the Board of Directors	16 17

\*1 Plastic hangers in the Company's designated colors that come with products \*2 Transparent plastic for product protection used at the time of delivery (made of polypropylene)

\*3 Shimamura has currently achieved zero product disposal. We will continue these initiatives in the future. \*4 Private brand (PB) products across all businesses

\*5 Ratio of female managers in the senior class and above \*6 Total sales from traveling sale, shopping tours and online store for the elderly in the Clothing

# Capital Policy

## KPIs and Allocation of Managerial Resources

### Capital Efficiency

ROE

Approx. **8.0%**

\* Level exceeding cost of equity

### Shareholder Returns

Dividend payout ratio

Approx. **35.0%**

DOE

Approx. **3.0%**

### Financial Security

Liquidity-on-hand ratio

Approx. **4-6** months

## Managerial Resource Allocation Policies

- ▶ We aim for appropriate allocation of managerial resources to increase corporate value and achieve sustainable growth.
- ▶ We strive to expand scale through active investments in growth and increase shareholder returns by reviewing our dividend payout ratio, while maintaining a stable financial base.



# Capital Policy

## Growth Investment

### Growth Investment Policies

- ▶ 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.

#### Medium-Term Management Plan 2024

#### Existing Continuation of Existing Investments

Ratio of managerial resources allocated to growth investments

**10-20%**

#### Key Investment-Related Results

- Investments in new store openings (buildings)
- Investments toward strengthening foundation
  - Investments in systems and human capital

Capital investments over the three-year period remained low due to insufficient store openings and other factors

- ▶ Uninvested portion allocated to internal reserves

#### Medium-Term Management Plan 2027

#### Shift Toward Investments in Sustainable Growth

Ratio of managerial resources allocated to growth investments

Approx. **50%**

#### Key Investment-Related (Planned)

- Investments in new store openings (buildings and land)
- Investments toward strengthening foundation
  - Investments in Transfer Centers and E-Commerce Centers
  - Investments in store renovations
  - Investments in systems and human capital
- Strategic investments
  - M&As, alliances, new business, overseas business



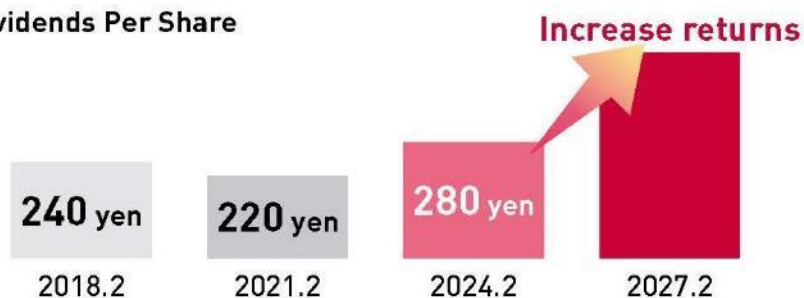
# Capital Policy

## Shareholder Returns

### Shareholder Return Policies

- ▶ The basis lies in continuous increase of dividends by elevating performance every term and stable returns to shareholders.
- ▶ We will ensure stable returns even in the event of temporary performance fluctuations by adopting DOE as an index.
- ▶ KPIs will be updated annually in line with changes in the capital market over the three-year period of the medium-term management plan.

#### Dividends Per Share



Note: Dividends per share amounts prior to stock split

#### Medium-Term Management Plan 2024

##### Stable Dividends

Dividend payout ratio	DOE
Approx. <b>25.0%</b>	Approx. <b>2.0%</b>

#### Medium-Term Management Plan 2027

##### Maintain Stable Dividends, Increase Returns

Dividend payout ratio	DOE
Approx. <b>35.0%</b>	Approx. <b>3.0%</b>

- **Implemented stock split** (effective February 21, 2024)
  - Maintained pre-split standards for shareholder benefits post-split, leading to substantial increase in benefits



# Capital Policy

## Internal Reserves and Capital Efficiency

### Internal Reserves Policies

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

Medium-Term  
Management Plan 2024

Medium-Term  
Management Plan 2027

Liquidity-on-hand ratio Approx. **4-6 months**

### Capital Efficiency Policies

- ▶ To increase corporate value over the medium to long term, we will conduct management rooted in our balance sheet and mindful of capital costs and capital returns, review our business portfolio, and allocate managerial resources appropriately.
- ▶ To achieve sustainable long-term growth, we will avoid pursuit of excessive short-term profit in favor of suitable return on capital toward our mission to build a "good company" for all stakeholders.
- ▶ We will leverage active dialogues with investors to refine our efforts toward suitable return on capital, guided by the premise of maintaining capital returns that exceed capital costs.

Medium-Term  
Management Plan 2024

Medium-Term  
Management Plan 2027

Initial Target ROE **7.0%** or higher

Revised Target ROE **8.0%** or higher

ROE  
Approx. **8.0%**

\* Level exceeding cost of equity

Capital adequacy ratio Over **80%**

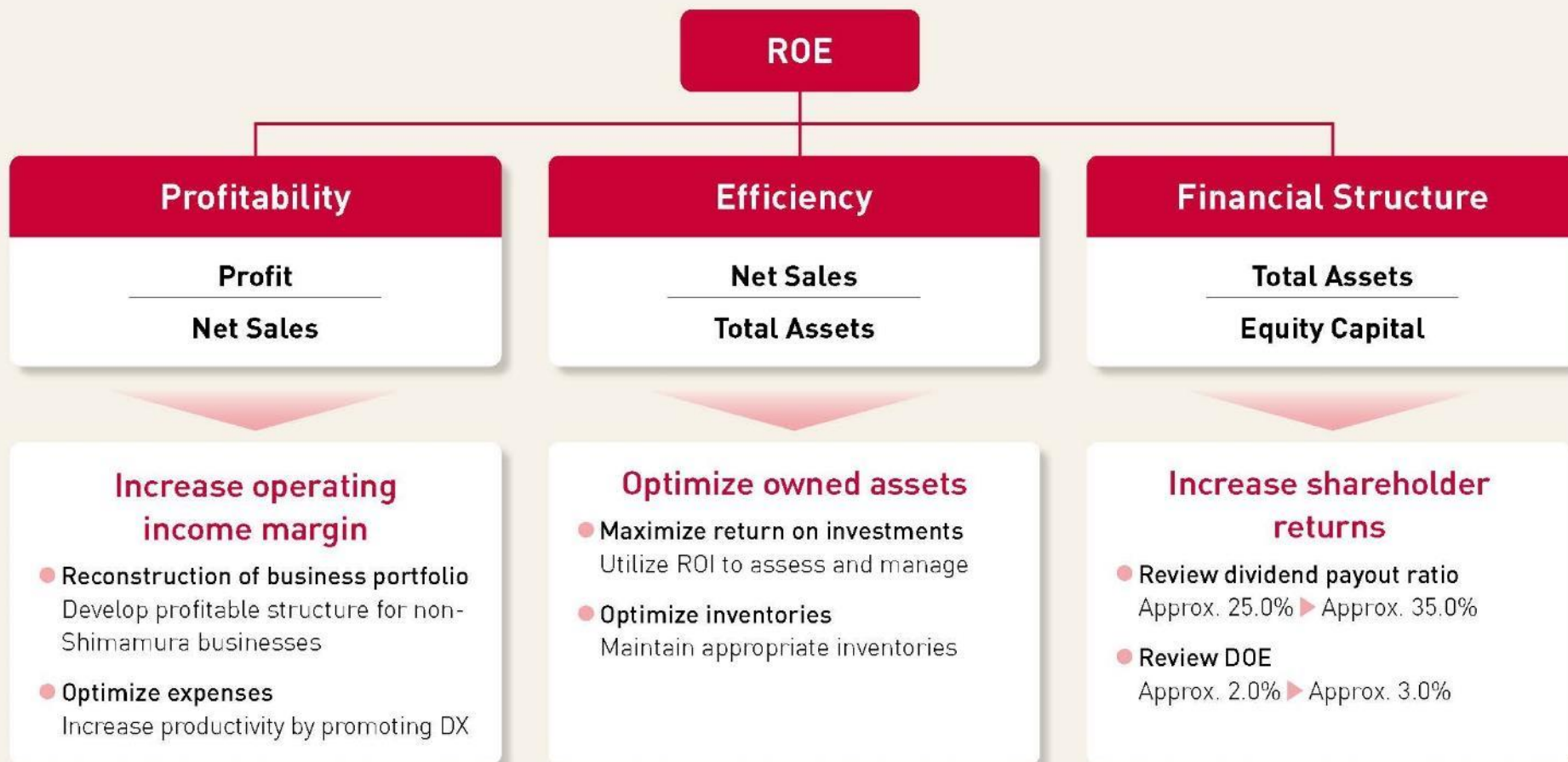
# Capital Policy

## Measures to Conduct Management Mindful of Capital Costs and Stock Prices



# Capital Policy

## Implement Initiatives to Maintain ROE That Exceeds Capital Costs





## Financial Results Materials (Disclosed on the corporate website)

- ▽ Financial Results Briefing Materials (with comments): April 2 (Tuesday)
- ▽ Summary of Financial Results (English): April 2 (Tuesday)
- ▽ Financial Results (Summary of Question and Answer Session): April 3 (Wednesday)
- ▽ Financial Results Briefing (English): April 8 (Monday)

## Update Information on Corporate Website

- ▽ ESG-related (update information, Japanese): April 1 (Monday)
- ▽ ESG-related (update information, English): April 1 (Monday)
- ▽ Medium-term Management Plan (new information, Japanese and English): April 1 (Monday)
- ▽ Corporate Governance-related: Late-May
  
- ▽ Integrated Report (new information, Japanese): Late-August \*First release
- ▽ Integrated Report (new information, English): Late-September

### **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.