



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

April 2, 2024

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I am Tsujiguchi, the head of the Planning Section. Thank you for taking time out of your busy schedule to join us today.

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Medium-term Management Plan 2024 Review

The New Medium-Term Management Plan 2027

Today, I will begin by explaining the results of our performance for the fiscal year ended February 29, 2024, our forecast and management policy for the fiscal year ending February 2025, and a review of our medium-term management plan.

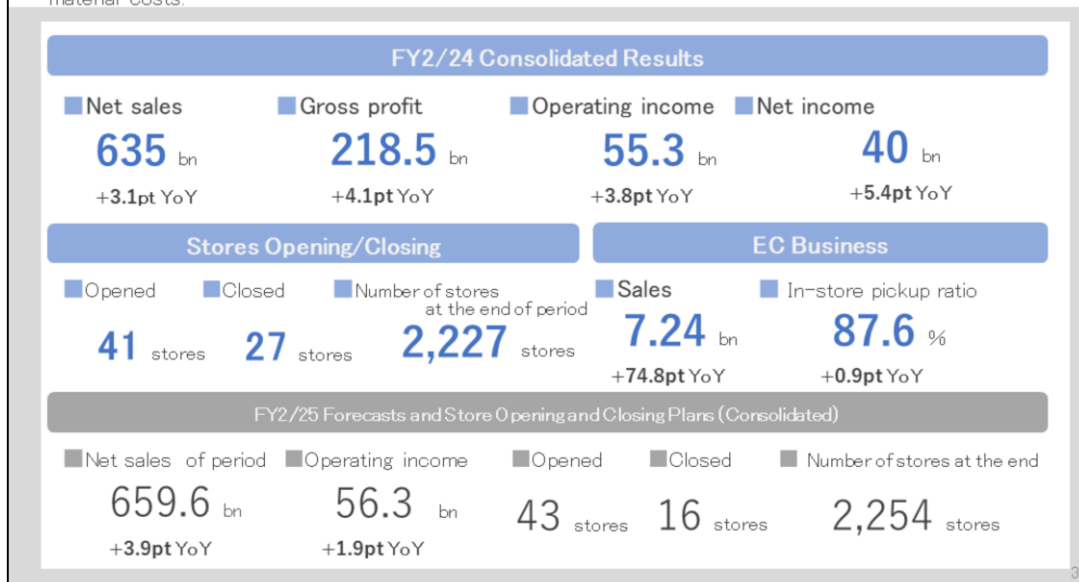
Then, President Suzuki will give a presentation on the Medium-Term Management Plan 2027.

FY2/24 Summary

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▽ 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.



First, I will provide a summary of the financial results.

For the fiscal year ended February 2024, we were able to achieve record highs in sales and each of our profit categories.

Even with raw material price hikes, we were able to secure gross profit by reviewing product unit prices, etc. We were also able to properly control SG&A expenses, which led to an increase in operating income.

Regarding new store openings, 41 new stores were opened in line with the revised plan. For regional store openings, we carefully selected sites, increased relocation of existing stores, and store openings in fashion malls in multiple businesses. By doing so, we have promoted high-profitable new store openings.

EC sales significantly exceeded the annual sales plan of JPY5 billion to JPY7.2 billion. In addition, the ratio of receiving products at stores for EC orders is 87.6%, which contributes significantly to sending customers to stores.

For the fiscal year ending February 2025, we forecast consolidated net sales of JPY659.6 billion, and operating income of JPY56.3 billion. New store openings are 43, for a net increase of 27 stores.

Consolidated Results: Income Statement

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▽ 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.

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Next, we would like to talk about the consolidated results for the fiscal year ended February 2024. The respective results are shown in the slide.

First, as an external factor, moving COVID-19 to Class 5 in May has led to a noticeable increase in the flow of people in many places. On the other hand, the rise in prices, which exceeded the rise in wages, had an impact on personal consumption.

Regarding weather, the first half of the year saw cyclical changes, with cool weather in the mornings and evenings until mid-May. From late May to mid-July, there were many rainy days. After the rainy season ended, temperatures rose sharply across the country, and there was a severe heat wave at the end of July.

The second half of the year experienced unseasonably high temperatures, persisting until mid-November, followed by lingering summer heat, and culminating in a record-warm winter from December to February.

Despite these severe external factors, we managed to bolster our product lineup and sales capabilities while also reducing advertising and other expenses. This effort led to record-high sales and profits for the current fiscal year-to-date period.

Sales by Business

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▽ 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

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Next, sales by business are as shown.

Net sales increased YoY in all domestic and overseas operations.

The initiatives of each project are explained on page 10 and beyond.

Consolidated Results: SG&A Expenses

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▽ 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

The following is a breakdown of consolidated SG&A expenses.

Personnel expenses increased 5.9% from the previous year due to wage increases implemented in April, which are 6.5% for full-time employees and 5.2% for part-time employees. This wage increase has also led to the hiring of new part-time employees in areas where hiring is difficult. In particular, sales have improved in urban areas due to improved store operations as a result of staff being filled.

Advertising expenses were kept at 1.9% of sales, on par with the previous year, with the continued shift to digital sales promotions. On the other hand, total selling expenses increased 4.1% YoY due to an increase in sales commissions resulting from an increase in the cashless ratio.

Total operating expenses increased 10.2% over the previous year. The primary factor behind the increase was a 10.6% rise in EDP expenses compared to the previous year, attributed to the replacement of cash registers in stores. This replacement resulted in heightened travel and transportation expenses as domestic and international business trips returned to pre-pandemic levels.

Supplies expenses by 0.9% YoY. Rent expenses increased only 0.2% YoY due to the closure of unprofitable stores. Utility expenses decreased 5.4% YoY, mainly due to lower electricity consumption at stores compared to the previous year.

Consolidated Results: Balance Sheets

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▽ 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

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The following is a breakdown of the consolidated balance sheet.

Total assets increased 6.2% from the end of the same period last year. The main factor was an 181.5% increase in investment securities compared to the end of the same period last year.

Total liabilities decreased by 0.2% from the end of the previous year. The main factor was a decrease in accrued bonuses, despite an increase in accounts payable and other liabilities.

Sales, Number of customers, Spending per customer YoY

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- ▽ 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

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Continuing further, I will explain the results of the Shimamura business regarding existing store sales, the number of customers, and the average spend per customer across all stores.

Despite challenging weather conditions for the apparel business, we focused on offering products less affected by temperature fluctuations. Additionally, the launch of our 70th anniversary project helped minimize the decrease in customer numbers while increasing sales per customer, resulting in higher comparable store sales compared to the same period last year.

The unit price per item rose 7.1% YoY due to the shift to new price ranges and the expansion of higherpriced products amid rising purchase costs.

Gross profit, Price reduction, Inventory YoY

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▽ 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

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Next, we will explain the results of the Shimamura business in terms of gross profit, price reductions, and inventory.

Gross profit increased 4.8% from the previous year, up 0.5 percentage points in percentage terms. This was due to an improvement in the markup rate, mainly through the expansion of high-priced products and the expansion of procurement in the Trade Dept.

The price reduction increased by 9.6% YoY and by 0.4 percentage points in percentage terms. This was due to the improvement of inventory management and the Company's policy of increasing inventory turnover and securing gross profit under appropriate price reductions.

Inventory volume for the period totaled 3.9% higher YoY. This is mainly due to an increase in the unit price per item.

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 "CLOSSHI 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"



Next, I will explain the results of our efforts on the key challenges.

In the Shimamura business, we worked on the evolution of our brands, PB, and co-developed brands with suppliers and JB as part of efforts to strengthen product competitiveness.

In PB, we expanded the high-priced CLOSSHI PREMIUM, and its sales increased 37.7% YoY. Among them, FIBER HEAT warm SUPER PREMIUM, which was developed for women's and men's underwear, appealed to customers for its greatly improved functionality compared to conventional products. It achieved high digestibility despite falling into a price range one grade higher.

JB products are developed with a focus on materials and comfort. For JB and SEASON REASON, featuring natural taste, 100% linen shirts and wool-blend knits were hot sellers.

As a result, PB sales accounted for 22.3% of total sales for the fiscal year ended February 2024, a 10.2% increase over the previous year. JB accounted for 8.5% of total sales, and net sales increased by 10.7% from the previous year. Sales were further boosted by expanding the product lineup to include cosmetics and beauty-related items, which were not previously available, as well as introducing petite sizes tailored for shorter customers.








To strengthen sales power, we stepped up sales promotions centered on the Company's 70th anniversary of founding. Exclusive collaboration projects with celebrities and influencers, along with the introduction of value-priced products, proved highly effective in attracting customers, even in challenging conditions marked by prolonged summer heat and mild winter weather. Additionally, we embarked on a new initiative to open pop-up stores in urban commercial facilities, aiming to attract new customers and enhance brand recognition.

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		Birthday Business	
◇ Strengthen trend proposals by JB	◇ Strengthen character proposals	◇ Motivation planning by JB	
			
◇ Development of store exclusive brands	Avail × Birthday collaboration		◇ Strengthening digital sales promotion
			

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Next, we will discuss the Avail and Birthday businesses.

In the Avail business, we strengthened our ability to propose trends, centered on JB.

CHIP CLIP in JB has strengthened the Korean taste. In addition, SUREVE in JB has launched a collaborative project with Heisei

Brand. As a result, JB sales increased 17.0% from the previous year and accounted for 43.9% of total sales.

In character products, sales increased due to aggressive promotion of original products. In terms of individual store response, we strengthened sales promotions by developing store-exclusive brands and distributing flyers at targeted stores.

Next, in the Birthday business, we promoted seasonal motivational events for Christmas, New Year's, Setsubun, Valentine's Day, and other occasions. These have led to sales of outerwear. In addition, products featuring collaborations with JB, characters, and companies were hot sellers.

In sales promotion, we have strengthened digital sales promotion. By using a scheme where a digital catalog is distributed on the official website and orders for the listed products are placed through the online store, we observed strong sales for the relevant products.

In addition, the Avail and Birthday businesses jointly launched new projects, such as parent-child coordination, to strengthen cooperation between the businesses.

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.



Next, I will explain our efforts in the Chambre, Divaro, Si meng le (Taiwan) , and EC businesses.

In the Chambre business, sales of outerwear and accessories, for which JB has strengthened its product lineup, increased. The influencer project launched in JB's "tsukuru & Lin." was effective in terms of e-commerce sales. In sales promotion, digital sales promotion was strengthened. We opened a "TikTok" account and started measures to appeal to the younger generation.

In the Divalo business, the second new model store of "Shoes & Fashion" opened in the second half of the fiscal year. In strengthening merchandise capabilities, we are promoting line lobbying and establishing stores that combine shoes with women's apparel and accessories.

In the Si meng le business, which operates in Taiwan, the company expanded Si meng le original PB in addition to Japan-planned PB and JB. As a result, the combined brand ratio of PB and JB planned in Japan and Taiwan reached 60.4%, and sales increased 31.3% year-on-year. In sales promotion, expansion of digital sales promotion using SNS and influencer planning led to the acquisition of new customers.

In the EC business, sales increased due to the expansion of made-to-order production through the resale of hot-selling products and line lobbying of products handled. In addition, the use of what we call EC supplier delivery, a delivery method similar to that of regular products, helped to resolve the capacity shortage at the EC Center.

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Next, I will explain our business forecast and management policy for the fiscal year ending February 2025, and our plans for new store openings and closings.

Consolidated Business Forecasts for FY2/25

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- ▽ 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.

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Each numerical forecast is as shown.

For the fiscal year ending February 2025, we forecast net sales of JPY659.6 billion, a 3.9% increase over the previous year. We will focus on promoting and strengthening product offerings and sales power in each business segment to boost existing store sales.

To secure gross profit, we will promote fabric and production line contracts, review production countries, and expand product procurement through our Trade Dept cope with rising purchase costs. We will also continue the transition to the new price range.

SG&A expenses are planned to increase by 4.8% from the previous year, and the SG&A to sales ratio is 26.2%. We will continue to control SG&A expenses by digitizing advertising. On the other hand, we plan to increase personnel expenses by 6.2% over the previous fiscal year and will raise wages by 5.3% for full-time employees and 4.1% for part-time employees in April. In addition, we expect an increase in expenses for supplies, display fixtures, and repairs due to the remodeling of existing stores.

As a result of the above actions, operating income is projected to be JPY56.3 billion, up 1.9% from the previous year, with an operating margin of 8.5%.

The dividend per share is expected to be JPY190 on a post-stock split basis, as we have reviewed the dividend policy. We will talk about the dividend policy later.

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

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Next, I will explain our management policy for the fiscal year ending February 2025.

The unifying theme is Next Challenge 1st: Changing the Obvious. During the three years of the previous medium-term management plan, we laid a solid foundation. This year, all departments will take on new challenges.

In strengthening product appeal, we will focus on developing hit products and enhancing brand power through the evolution of our brand and planned products. We will also work to acquire new customers through line lobbing and strengthen our product development capabilities through sophisticated data analysis.

To strengthen sales power, we will promote diversification of sales promotion methods and digitalization. In terms of individual store response, we will work on optimizing products, sales areas, and sales promotions according to store characteristics. In stores, we will work to increase store loyalty by digitizing sales promotions and improving VMD, improving customer service skills, and creating easy-to-buy sales areas.

I will talk about strengthening the foundation and infrastructure later in the Medium-Term Management Plan 2027.

FY2/25 Stores Opening/Closing and Renovation Plan **しまむらグループ**

▽ 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
Chambre	118	5	0	123	0
Divalo	16	0	0	16	0
Shimamura (non-consolidated)	2,185	40	15	2,210	40
Si mangle (Taiwan)	42	3	1	44	0
Shimamura (consolidated)	2,227	43	16	2,254	40

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Next, I would like to explain the opening/closing and renovation plan.

We plan to open 43 new stores and close 16 stores, for a net increase of 27 stores. As a result, the number of stores at the end of the fiscal year ending February 2025, is expected to be 2,254.

We will promote the relocation and scrap-and-build of existing stores for Shimamura and Avail. In addition, we will increase the profitability of our stores by opening more stores in a fashion mall format that combines multiple businesses within the group.

We plan to renovate 40 existing stores during the year, mainly in the Shimamura business.

In addition, we increased the number of employees in the Store Development Department and the Store Construction Department during the period under review. We will work to increase store loyalty by expanding the number of store openings, strengthening store openings in urban areas, and promoting renovations.

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Next, I will explain our medium-term management plan.

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

The flow of the explanation is as shown.

First, I will explain a review of the previous medium-term management plan, which ended in February 2024.

Next, I will explain the new Medium-Term Management Plan 2027.

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%	○

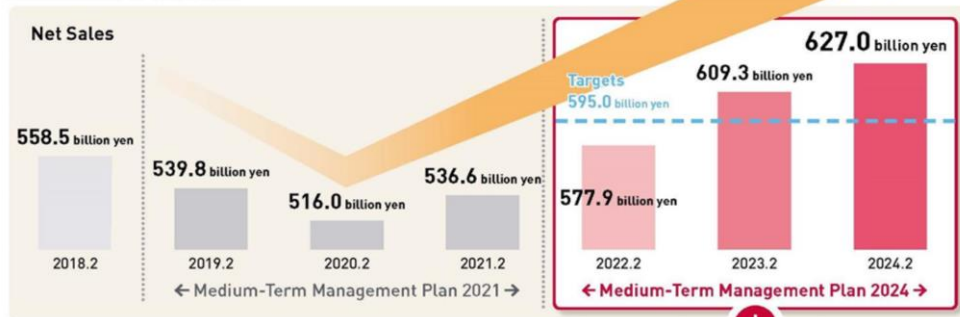
The main performance evaluation of the previous medium-term management plan is shown in the slide.

Although the number of new store openings did not meet the initial plan, other items significantly exceeded it for the fiscal year ended February 2024.

Regarding store openings, there was a shortfall of 11 stores compared to the plan. This was due to the impact of COVID-19 as well as the careful selection of store opening locations to develop profitable stores.

Domestic Results

Assessment of Net Sales



Positives	Domestic sales targets reached one year ahead of schedule	Net sales	627.0 billion yen
	● Medium-Term Management Plan 2024 facilitated a V-shaped recovery following a consecutive three-year decline from FY 2/2018 to FY 2/2020	Targets	595.0 billion yen
Negatives	Fell short of net sales target for e-commerce (7.2 billion yen, or 60.4% of target)	Target achievement ratio	105.4%
	● 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		

しまむらグループ Medium-Term Management Plan 2027

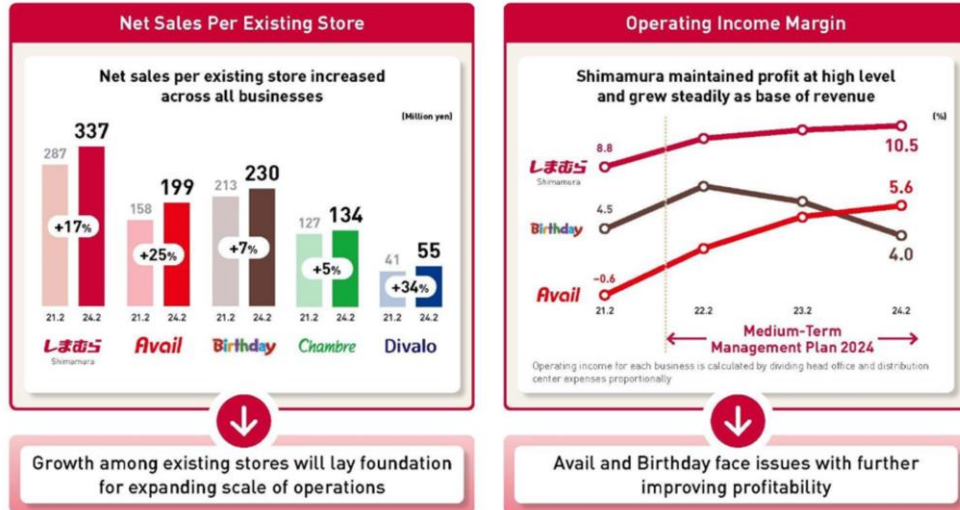
20

The sales trend is as shown in the table. It bottomed out in the fiscal year ended February 2020 and we recovered from there. We were able to achieve our initial sales plan one year ahead of schedule.

On the other hand, sales in the EC business did not reach the plan. This is because priority was given to enhancing the profit margin as a business, achieved through the operation of the EC center by the Company itself, to accumulate EC expertise within the Company.

Domestic Results

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



Next is a project-specific evaluation.

In all businesses, sales per store rose, providing a foundation for growth to expand store openings.

In terms of operating profit margin, the Shimamura business maintained a high-profit level and was able to establish itself as a profit-based business. On the other hand, further improvement in profitability became a challenge for the Avail and Birthday businesses.

Basic Policy

Basic Policy



Next, I would like to talk about the basic policy.

The policies and implementation items for each year are shown below.

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	

しまむらグループ Medium-Term Management Plan 2027

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Next, I would like to Efforts key challenges.

First, with respect to strengthen product appeal, we improved brand power by strengthening our planning capabilities for PB, JB, influencers/characters, and other products. In strengthening the supply chain, we were able to establish a production system that can hedge risks through short-term production and fabric and line contracts. As for individual store responses, improvements were made through the trinity of products, sales areas, and sales promotions.

Next, I would like to discuss the strengthening of sales power. In diversifying sales promotion methods, we expanded digital sales promotions and implemented segment-specific sales promotions. In the area of sales floor layout improvement, the transition to a new layout was completed at all stores in the Shimamura, Avail, and Birthday businesses.

The next step is to reinforcement of the business base and foundations. While progress was achieved in each of these areas, the EC and Divalo businesses still present challenges for the future.

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

しまむらグループ Medium-Term Management Plan 2027

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Finally, I will explain our ESG activities. First, an evaluation of our ESG activities.

We achieved our targets for all of our environmental and governance initiatives.

On the other hand, with regard to “social” initiatives, the “ratio of female managers” and “employment rate of people with disabilities” fell short of the plan. We will continue our efforts to achieve these goals under the new medium-term management plan.

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

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2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)FTSE Blossom
Japan Sector
Relative Index

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

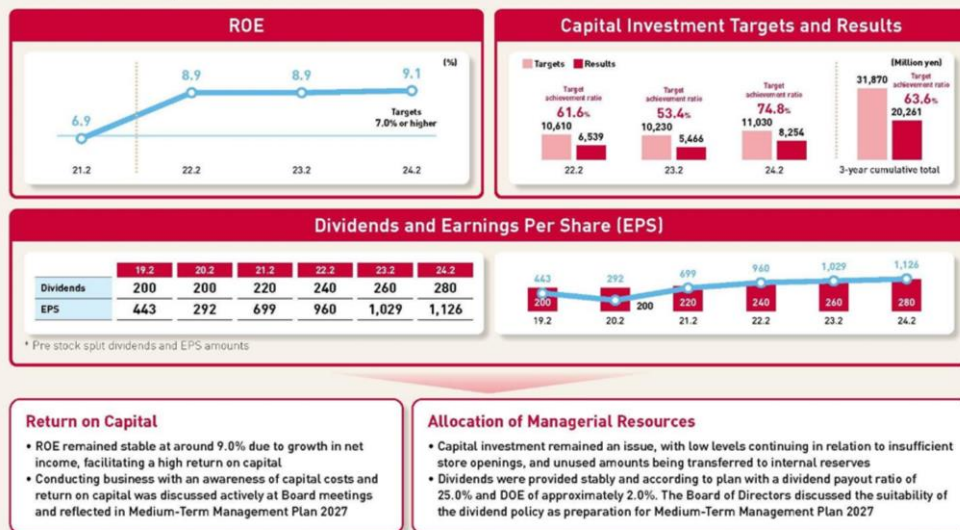
Next, I would like to evaluation of ESG activities external parties.

Our ESG activities during the three years of the previous mid-term management plan have been well received, particularly in the area of governance.

External parties evaluation, the company was selected for inclusion in four of the six ESG indices used by the GPIF. In the MSCI ESG Rating, a global rating system, the Company was upgraded from "B" to "BBB". We will continue to further promote ESG activities to improve our relative rating.

Capital Policy

Assessment of Capital Policy



しまむらグループ Medium-Term Management Plan 2027

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See page 26. Next, I would like to discuss the evaluation of capital policies.

ROE has remained around 9% due to growth in net income, achieving a high return on capital.

Capital expenditures fell short of the plan, mainly due to a shortfall in actual results compared to the initially planned number of store openings.

Dividends were paid as planned, achieving stable dividends. We continually assess the appropriateness of our dividend policy and distribute dividends accordingly.

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

In light of the above, the main tasks for the new medium-term management plan are as shown. That's all from me.

Contents

しまむらグループ

Medium-Term
Management Plan 2027

- 
- 1 Review of the Previous Medium-Term Management Plan
 - 2 The New Medium-Term Management Plan: Next Challenge**
 - 2-1 Basic Policy of Medium-Term Management Plan 2027
 - 2-2 Numerical Targets
 - 2-3 Three Measures for Pursuing Growth
 - Growth Strategy
 - Reinforcement of the Business Base and Foundation
 - Promotion of ESG Activities
 - 2-4 Capital Policy



I am Suzuki, the President.

Thank you very much for taking time out of your busy schedule today to participate in the financial results briefing.

I will explain the new Medium-Term Management Plan 2027.

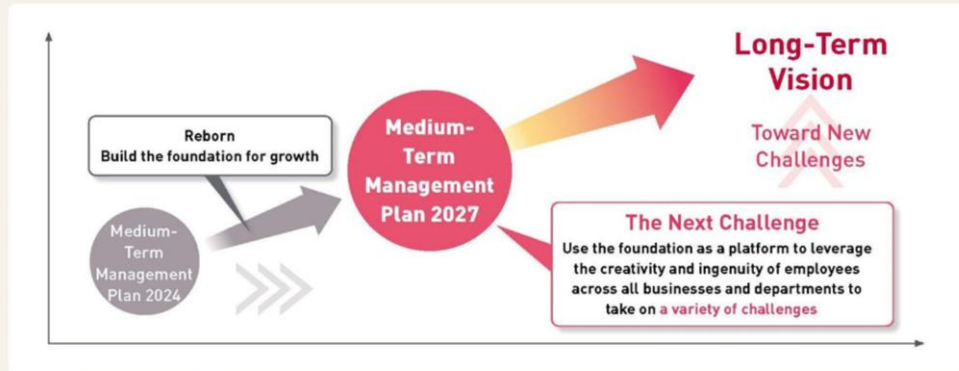
The flow of the explanation is as shown.

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.



しまむらグループ Medium-Term Management Plan 2027

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First, let me explain the basic policy.

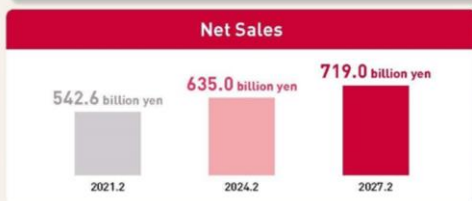
The unifying theme of the new medium-term management plan is The Next Challenge: Pursuing Further Growth.

We will continue to enhance the resilience of the Shimamura Group by undertaking various challenges with the creativity of all employees. We will also expand our business scale by fostering growth in existing store performance and pursuing aggressive store openings while enhancing profitability through efficient operations.

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



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

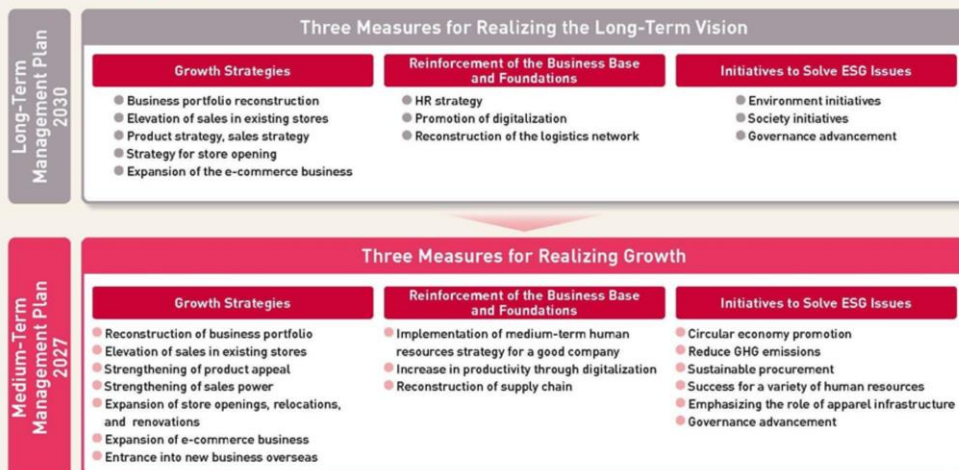
Here are the main numerical plans.

The Company at sales of JPY719 billion, an operating income of JPY66 billion, an operating margin of 9.2%, an ROE of about 8.0%, and plans to open 150 new stores in Japan over the next three years.

Three Measures for Pursuing Growth

Overall Structure

▶ Three Measures Aimed at Realizing Our Long-Term Vision



Next, I would like to discuss the overall structure of the Medium-Term Management Plan 2027.

We will embody the three policies to realize the :Long-Term Management Plan 2030: Growth Strategy, and Reinforcement of the Business Base and Foundations, and Initiatives to Solve ESG Issues.

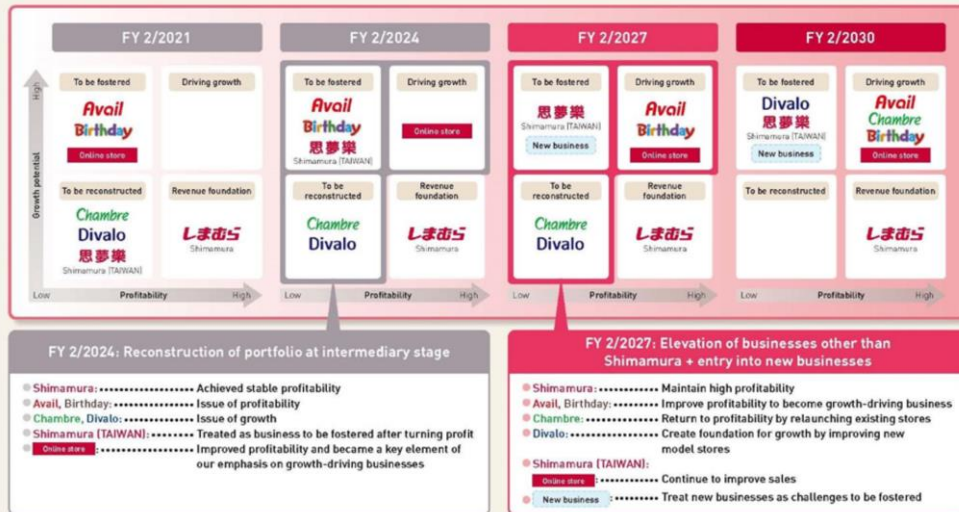
2-3

The New Medium-Term Management Plan: Next Challenge

しまむらグループ

Three Measures for Pursuing Growth

Growth Strategy—Reconstruction of Business Portfolio



しまむらグループ Medium-Term Management Plan 2027

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Next, I would like to discuss the growth strategy.

First, let me explain the restructuring of the business portfolio. Please see the four frames for the fiscal year ending February 2027.

The revenue-based business in the bottom right, the Shimamura business, will continue to maintain high profitability.

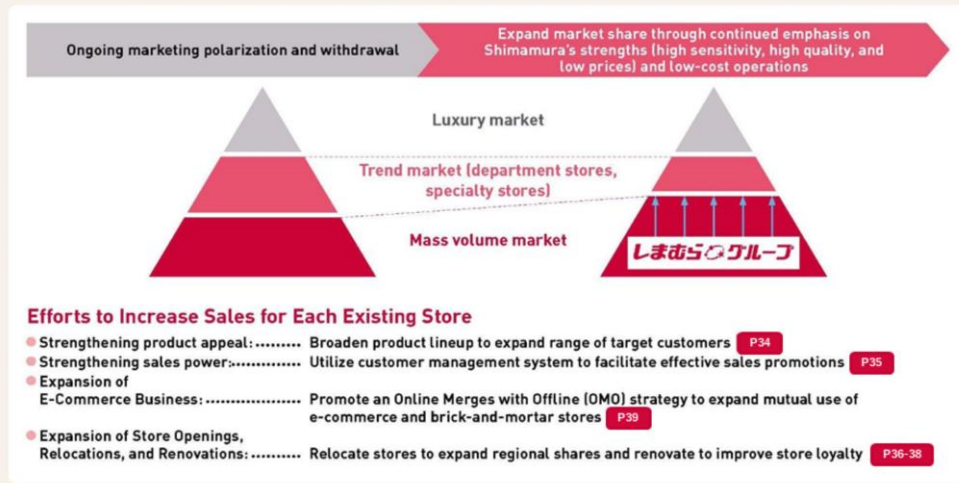
The growth-driving business in the upper right corner will transition from the nurturing phase by improving the profitability of Avail and Birthday. Additionally, the online store will continue to aim to improve sales.

Chambre, under the restructuring business in the lower left corner, aims to achieve stable profitability, while Divalo aims to restructure its business.

As for the cultivation business in the upper left corner, Taiwan Shimamura will continue to expand sales. We will also take on the challenge of launching new businesses.

Three Measures for Pursuing Growth

Growth Strategy—Elevation of Sales in Existing Stores



Next, I would like to discuss the growth of existing store sales and the expansion of business scale through aggressive store openings.

Firstly, within the increasingly polarized domestic apparel market, we perceive the mass volume market, where we are positioned, as expanding.

In that growing mass volume market, we will increase our share of the domestic market by further increasing sales per existing store and strengthening new store openings.

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 range/planned 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

Next, I would like to talk about strengthening of product appeal.

In terms of Increase Brand Power, we will develop mega-hit items, expand high-priced products, and evolve our brand and planned products to increase store loyalty.

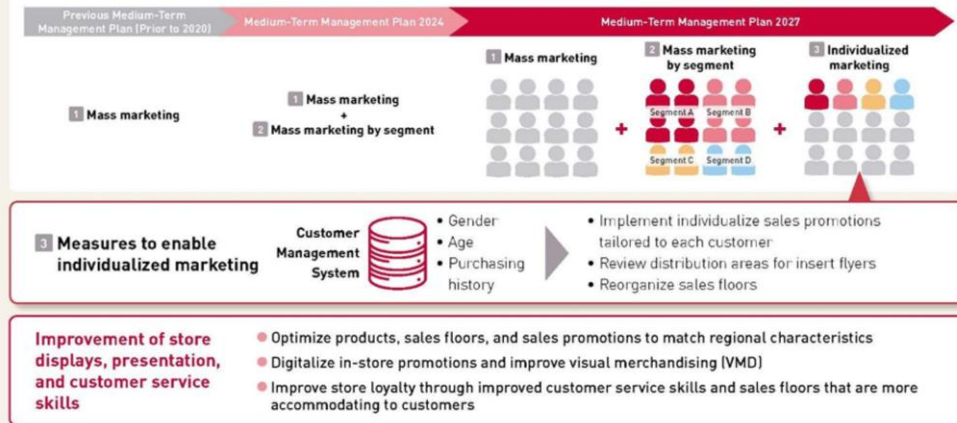
In our efforts to Expand Product Lineup, we will focus on expanding product categories, sizes, and target age groups to widen our customer base.

In the area of Enhance product development, we will enhance the analysis of customer purchase data to develop character and influencer products, etc.

Three Measures for Pursuing Growth

Growth Strategy—Strengthening of Sales Power

Diversify Sales Promotion Methods



Next, I would like to discuss the strengthening of sales power.

Utilize customer management systems to promote individualized marketing based on gender, age, purchase history, etc. This will allow for customerspecific sales promotions, a review of flyer distribution areas, and sales floor configuration.

In addition, we will strengthen our sales power by optimizing products, sales floor, and sales promotions according to regional characteristics, digitizing sales promotions, and improving customer service techniques.

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

Next, we will discuss new store openings, existing store relocations, and renovations.

The plans for store openings and renovations are as shown.

We plan to open 150 stores over the next three years. We also plan to renovate 150 stores over the next three years.

The main measures are described in the following pages.

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

Next is about ramp up store openings in urban areas.

In addition to the dominant suburban-centered strategy thus far, Shimamura will reinforce store openings in densely populated urban areas where there are currently no Shimamura stores. In response, we increased the number of employees in the store development department and the construction department.

Moreover, we plan to open pop-up stores in urban areas, minimizing the risk associated with their launch. With a focus on establishing physical stores in urban areas, our objective is to enhance brand recognition for Shimamura, cultivate a fanbase, and drive traffic to our e-commerce platform.

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 CO₂ emissions by upgrading to latest energy-saving equipment
- FY 2/2024 results: Net sales increased by 5–12% after renovations



Interior 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



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

Next, we will discuss renovate to improve store loyalty.

Over the next three years, we plan to renovate 150 stores to boost existing store sales and to enhance store loyalty through improvements in the shopping environment for customers.

Up until now, the remodeling had been carried out mainly at the top-selling stores. Moving forward, our strategy involves ongoing store renovations, prioritizing those with the highest return on investment, regardless of their sales volume. We will promote environmentally friendly remodeling by replacing store facilities with the latest equipment.

Next, we will discuss how relocate stores to optimize dominant strategy. The lower right image is of the Shimamura/Birthday Sonomachi FM store in Komatsu City, Ishikawa Prefecture, which opened in September 2023. An existing store was relocated and opened in a fashion mall format combined with nonShimamura business stores. Shimamura stores have decreased from four to three, but they have maintained total sales.

As in this case, we will continue to promote relocations and implement other measures in response to shifts in the commercial environment.

By restructuring our dominant strategy and diversifying our businesses, we aim to expand our share of the local market.

Three Measures for Pursuing Growth

Growth Strategy—Expansion of E-Commerce Business

E-Commerce Net Sales and Ratio



● Product Strategy

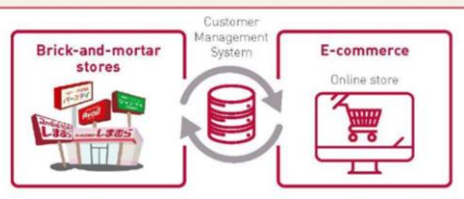
- Increase range of planned product appeal exclusive to e-commerce
Discover new influencer products, character products, etc.
- Expand handling of products that complement store lineups
Due to space limitations, brick-and-mortar stores cannot handle large items such as Hina dolls and irregular clothing 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



Next, I would like to discuss the expansion of our domestic EC business.

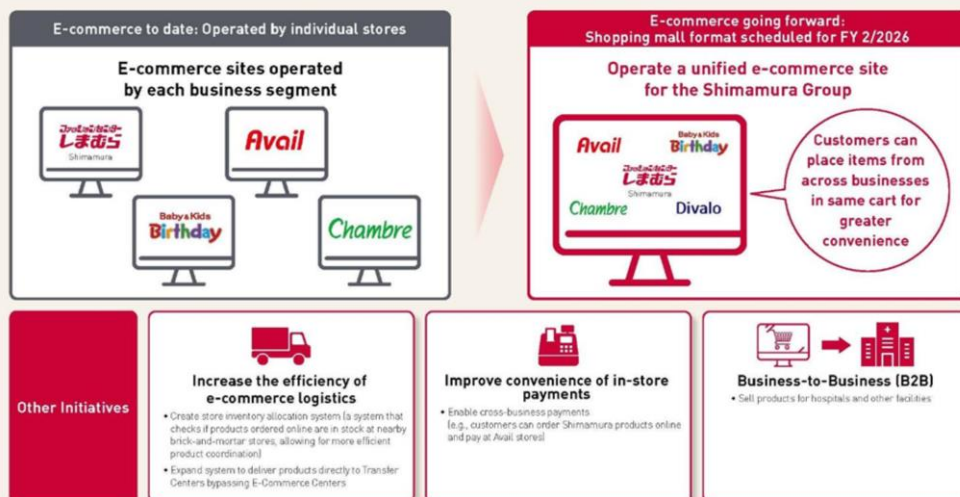
We aim for an EC sales of JPY11 billion and an EC ratio of 1.6% at the end of February 2027.

In our product strategy, we aim to meet our numerical targets by increasing the variety of EC-only products and items that are hard to find in stores.

In addition, the Company will advance an OMO strategy by broadening the mutual utilization of physical stores and e-commerce platforms and using customer management system data for sales promotions.

Three Measures for Pursuing Growth

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



Next, I would like to discuss specific measures to expand the domestic EC business.

Currently, each business operates its own EC site, but we will unify and operate EC sites under the Shimamura Group.

Other initiatives involve expanding EC supplier deliveries, enhancing the convenience of in-store payments, and developing B2B sales channels.

Three Measures for Pursuing Growth

Growth Strategy—Entrance into New Business Overseas

▶ Establish Overseas Business via Cross-Border E-Commerce



Next is the challenge of new overseas business.

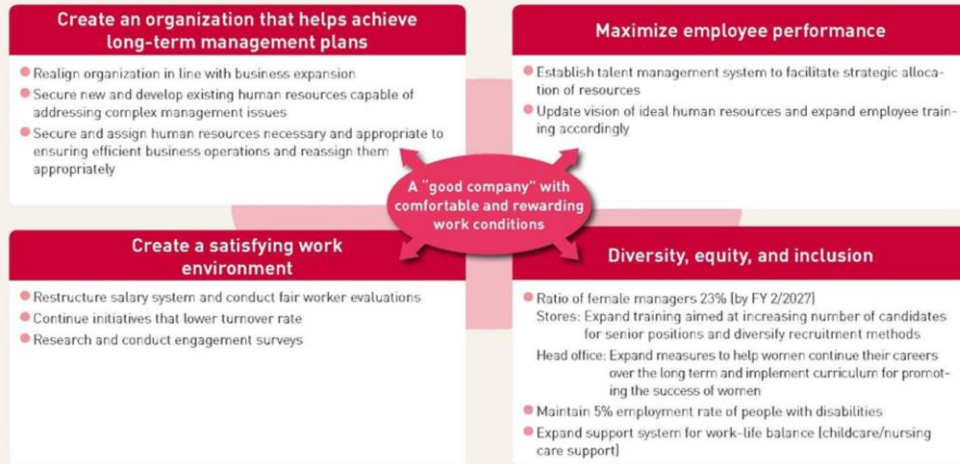
The flow of establishing a new overseas business is as shown.

First, we will establish a cross-border EC operation through an agency to explore potential locations for opening new stores and acquire expertise in cross-border EC in the fiscal year ending February 2025.

After that, we would like to set up an EC site on a local site and challenge ourselves to open our stores in overseas locations.

Three Measures for Pursuing Growth

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



Next, I will explain “Reinforcement of the Business Base and Foundations”.
First, I will discuss the “Medium-Term Human Resources Strategy”.

Our management mission to our employees is to strive to improve working conditions and the workplace environment so that each employee can achieve self-fulfillment through work over the course of his or her long life, as well as stabilize their daily lives and lead a fulfilling social life.

Our mid-term human resources strategy is based on these four key issues, and we aim to be a "good company" that is easy to work for and rewarding to work for.

Three Measures for Pursuing Growth

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

● Utilization of Customer Management System



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 2/2026 ● 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

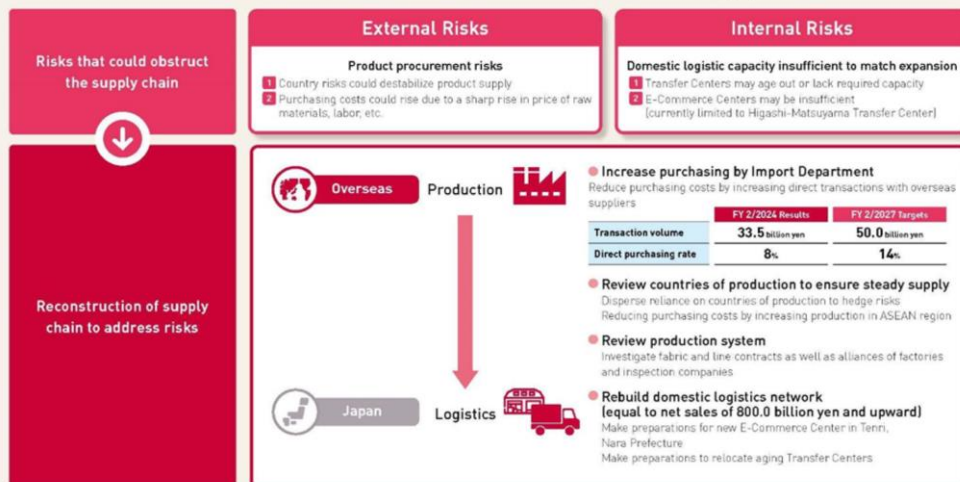
Next, I would like to talk about increase productivity through digitalization.

We will utilize a customer management system to improve the accuracy of store openings through trade area analysis, optimize products, sales promotions, and sales floors, and utilize the app to implement customer service measures and recommendation measures.

We will also promote digitalization in store operations. We aim to improve the efficiency of store operations by implementing cashless cash registers and automatic change machines, utilizing tablet terminals, and incorporating digital advertising.

Three Measures for Pursuing Growth

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



Next is the supply chain restructure.

We will restructure the current supply chain in response to the risk of product procurement resulting from changes in the external environment and the inadequate capacity in domestic logistics due to the scale expansion.

As part of specific initiatives in product procurement, we aim to reduce procurement costs by expanding purchases through our Trade Dept and increasing production in ASEAN countries. In addition, we will hedge risks by diversifying production countries and reviewing our production system.

In response to logistics, we will rebuild our domestic logistics network by establishing new transfer centers and relocating existing transfer centers.

Three Measures for Pursuing Growth

Initiatives to Solve ESG Issues



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

Next, I will explain "initiatives to solve ESG issues."

The Shimamura Group's management mission is to create a "good company" for all stakeholders. In order to achieve our management mission, we will promote sustainable "Shimamura-style ESG activities" through our core business in order to achieve our management plan.

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%*1 Complete recycling ratio of plastics 50.0%*2	   
	➡ Reduction of GHG emissions	Continuation of zero product waste*3 GHG emissions (Scope 1 and 2) 60% reduction (compared with 2013)	   
	➡ Sustainable procurement	Purchase ratio of sustainable products 40.0%*4 Continuation and evolution of suppliers' CoC compliance structure	   
S	➡ Activities by diverse human resources	Ratio of female managers 23.0%*5 Employment ratio of people with disabilities 5.0%	   
	➡ Enhancement of roles of the clothing infrastructure	Sales target 130 million yen*6 Implementation of traveling sale and acceptance of shopping tours Expansion of online store	 
	➡ 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	 

*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

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Next, I would like to discuss KPIs for "initiatives to solve ESG issues.

For environmental initiatives, we set numerical targets for recycling store resources, reducing GHG emissions, and purchasing sustainable products.

For social initiatives, in addition to the ratio of female managers and the employment rate of people with disabilities, we also set sales plans for strengthening the role of garment infrastructure, such as on-site sales and shopping tours.

Each numerical target is shown below.

Capital Policy

KPIs and Allocation of Managerial Resources

Capital Efficiency	Shareholder Returns	Financial Security
ROE Approx. 8.0%	Dividend payout ratio Approx. 35.0%	DOE Approx. 3.0%
		Liquidity-on-hand ratio Approx. 4-6 months

* Level exceeding cost of equity

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.



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I will explain our capital policy. First, let's talk about KPIs.

ROE will be maintained at around 8.0%, above the cost of shareholders' equity. The dividend payout ratio will be about 35.%, and DOE will be about 3.0%. The liquidity ratio on hand is planned to be four to six months.

Next is the policy for allocating management resources.

We aim to achieve appropriate allocation of management resources to enhance corporate value and sustainable growth. While securing a stable financial base, we will also actively invest in growth to expand the scale of our operations and enhance shareholder returns by revising the dividend payout ratio.

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

Medium-Term Management Plan 2027

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

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

Next, I would like to discuss investments for growth.

Investments for growth are based on investments to expand the scale of our business and to improve the quality of our stores, products, human resources, and DX. Also, they will increase productivity to improve our business performance and contribute to all of our stakeholders.

In the previous medium-term management plan, investment was an extension of existing investments at around 10% to 20% of management resources. In the Medium-Term Management Plan 2027, we will implement around 50% of management resources and make investments for sustainable growth.

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

240 yen

2018.2

220 yen

2021.2

280 yen

2024.2

Increase returns

2027.2

Note: Dividends per share - amounts prior to stock split

Medium-Term Management Plan 2024

Stable Dividends

Dividend payout ratio

Approx. 25.0%

DOE

Approx. 2.0%

Medium-Term Management Plan 2027

Maintain Stable Dividends, Increase Returns

Dividend payout ratio

Approx. 35.0%

DOE

Approx. 3.0%

• Implemented stock split (effective February 21, 2024)

- Maintained pre-split standards for shareholder benefits post-split, leading to substantial increase in benefits

Next, I would like to discuss shareholder returns.

Our basic policy for shareholder returns is to provide stable returns to shareholders by continuously increasing dividends through improved performance in each fiscal year. By incorporating the DOE index, we will ensure stable returns even in the face of temporary fluctuations in performance.

KPIs will be periodically reviewed throughout the three-year medium-term management plan, adjusting them as necessary to reflect changes in the Company's financial status and capital markets.

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 2024Medium-Term
Management Plan 2027Liquidity-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 2024Medium-Term
Management Plan 2027Initial Target ROE **7.0%** or higherRevised Target ROE **8.0%** or higherROE
Approx. **8.0%**

* Level exceeding cost of equity

Capital adequacy ratio Over **80%**

Next, I would like to discuss retained earnings and capital efficiency.

Retained earnings will be used to establish a stable financial base by maintaining sufficient cash reserves to enable aggressive growth investments, in addition to preparing for risks such as economic downturns.

Capital efficiency will be managed with consideration of the cost of capital and return on capital based on the balance sheet, aiming for sustainable growth and enhanced corporate value. We will also assess our business portfolio and ensure appropriate allocation of management resources based on the premise of maintaining a return on capital exceeding the cost of capital.

Capital Policy

Measures to Conduct Management Mindful of Capital Costs and Stock Prices



Next, I would like to discuss measures to achieve management that is conscious of the cost of capital and stock price.

Our return on capital has remained around 9.0% ROE, surpassing our cost of capital. However, we are concerned that our accumulated retained earnings may lead to a deterioration in our return on capital.

Under the Medium-Term Management Plan 2027, we will implement appropriate allocation of management resources by investing about 50% of management resources in growth and setting the dividend payout ratio at about 35.0%, while brushing up our efforts through dialogue with investors.

Capital Policy

Implement Initiatives to Maintain ROE That Exceeds Capital Costs



Finally, I would like to talk about our efforts to maintain ROE above the cost of capital.

In terms of profitability, we will restructure our business portfolio and streamline expenses to enhance our operating margin. Regarding efficiency, we will optimize our asset holdings by maximizing return on investment and refining inventory management. In terms of financial strength, we will review the dividend payout ratio and DOE to enhance shareholder returns.

Through these measures, we will maintain an ROE that exceeds the cost of capital.

This is my explanation of the Medium-Term Management Plan 2027.

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

Here is our disclosed information.

The schedule for disclosing financial results on the corporate website is as shown. The Medium-Term Management Plan 2027 is disclosed on our corporate website.

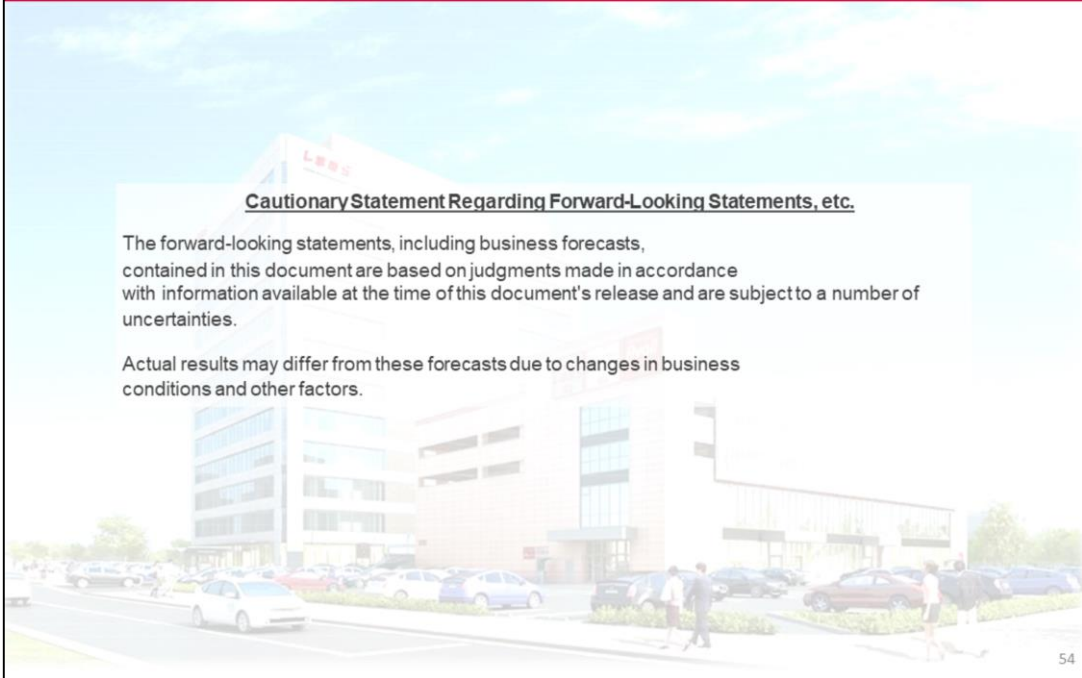
We also plan to release our first Integrated Report in late August.

Our corporate website also provides various materials in English, including information on our business model and ESG, except for result presentation materials. We encourage foreign investors to visit the website for further details.

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.



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This concludes the explanation of the financial results for the fiscal year ended February 2024, of SHIMAMURA Co., Ltd., as well as the Medium-term Management Plan 2027.

Thank you for your attention.