Financial Results for 1Q of FY2/23

June 27, 2022

しまむらグループ

1. Consolidated Results: Income Statement

▽ Net sales increased by 4.8% YoY, reaching a record-high for 1Q alone.

▽ SG&A to sales ratio was 25.0% (▲0.3pt YoY). Promoted more efficient use of advertising and other expenses.

▽ Operating income margin was 14.6 billion yen (9.8% rate), reaching a record-high for 1Q alone.

(Million yen/%)

	FY2/23 1Q	Ratio to sales	YoY	FY2/22 1Q	Ratio to sales	YoY
Net sales	149,319	100.0	104.8	142,539	100.0	133.2
Gross profit	51,649	34.6	105.8	48,829	34.3	149.3
SG&A	37,371	25.0	103.6	36,065	25.3	105.5
Operating income	14,615	9.8	112.3	13,019	9.1	–
Ordinary income	14,959	10.0	112.5	13,299	9.3	–
Net income attributable to owners of parent	10,212	6.8	115.1	8,875	6.2	–
Net income per share	277.87yen	–	–	241.51yen	–	–

2. Sales by Business

▽ Domestic sales grew by 4.8% YoY due to the further enhancement of brand power, development of new influencer projects and character products, diversification of sales promotion methods, and regional response.
▽ Sales of Si meng le (Taiwan) declined due to the rapid spread of the novel coronavirus and the impact of low temperatures.

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

Business	FY2/23 1Q	Composition ratio	YoY	FY2/22 1Q	Composition ratio	YoY
Shimamura	108,773	72.9	103.1	105,484	74.0	134.0
Avail	14,540	9.7	110.0	13,221	9.3	138.5
Birthday	20,834	14.0	108.7	19,162	13.5	127.8
Chambre	3,786	2.5	114.8	3,299	2.3	131.9
Divalo	191	0.1	106.5	180	0.1	140.3
Shimamura (non-consolidated)	148,127	99.2	104.8	141,347	99.2	133.5
Si meng le (Taiwan)	1,191	0.8	99.9	1,192	0.8	112.3
Shi ma la(Shanghai)	–	–	–	–	–	–
Shimamura (consolidated)	149,319	100.0	104.8	142,539	100.0	133.2

3. Consolidated Results: SG&A Expenses

▽ Personnel expenses: Increased by 4.5% YoY on a 5.6% wage increase. It has been incorporated into the plan.

▽ Advertising expenses: Ratio to sales was 1.9%, controlled by the expansion and diversification of digital sales promotions.

▽ Equipment cost: Utilities expenses rose by 28.4% due to an increase in electricity charges. Rents were restrained.

(Million yen/%)

	FY2/23 1Q	Ratio to sales	YoY	FY2/22 1Q	Ratio to sales	YoY
Salary	15,550	10.4	104.6	14,860	10.4	104.7
Total personnel expenses	18,148	12.2	104.5	17,360	12.2	102.8
Advertising expenses	2,880	1.9	95.6	3,014	2.1	129.9
Total selling expenses	4,677	3.1	101.8	4,596	3.2	127.2
Supplies expenses	298	0.2	95.6	312	0.2	120.6
Display fixtures expenses	207	0.1	126.3	164	0.1	77.5
Total operating expenses	1,939	1.2	103.3	1,877	1.3	106.1
Rents	8,170	5.5	99.3	8,226	5.8	100.0
Depreciation and amortization	1,453	1.0	98.3	1,478	1.0	110.6
Total equipment cost	11,434	7.7	103.2	11,083	7.8	100.6
Total general expenses	1,171	0.8	102.1	1,147	0.8	126.7
Total SG&A expenses	37,371	25.0	103.6	36,065	25.3	105.5

4. Consolidated Results: Balance Sheets

▽ Assets : We remain the policy of increasing the proportion of cash and deposits. It was the same level as the end of the previous fiscal year.
Merchandise inventory up by 4.2% YoY, maintaining an appropriate level.
▽ Liabilities : Accrued income taxes and accrued consumption taxes increased.

(Million yen/%)

	End-May 2022	Composition ratio	End-May 2021	Composition ratio	YoY
Current assets	314,540	64.6	279,978	61.5	112.3
Noncurrent assets	172,418	35.4	175,151	38.5	98.4
Total assets	486,959	100.0	455,130	100.0	107.0
Current liabilities	61,113	12.5	57,340	12.6	106.6
Noncurrent liabilities	9,506	2.0	8,868	1.9	107.2
Total liabilities	70,619	14.5	66,209	14.5	106.7
Total shareholder's equity	413,048	84.7	385,074	84.6	107.3
Accumulated other comprehensive income	3,290	0.8	3,846	0.9	85.6
Total net assets	416,339	85.5	388,920	85.5	107.1
Total liabilities and net assets	486,959	100.0	455,130	100.0	107.0

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

▽ Growth in existing store sales : Further strengthen product appeal and sales power.

▽ Increase in the number of customers : Development of new products, diversification of sales promotion media, and response in urban areas.

▽ Increase in spending per customer: Proposal for coordination, expansion of high price range, control of price reductions.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	FY2/23 1Q	103.7	103.1	101.2	101.3	101.9	100.6
	FY2/22 1Q	133.9	134.0	127.9	100.0	104.8	104.8
Avail	FY2/23 1Q	110.9	110.0	106.6	102.3	103.2	100.8
	FY2/22 1Q	138.6	138.5	135.7	100.0	102.1	102.1
Birthday	FY2/23 1Q	105.2	108.7	103.9	105.1	104.7	99.6
	FY2/22 1Q	125.5	127.8	123.5	98.3	103.5	105.3

6. Gross profit, Price reduction, Inventory YoY

▽ Shimamura and Avail were able to curb price reduction and improved their gross profit margins by appropriately controlling seasonal inventories and use short-term production.

▽ Gross profit, price reduction, and inventory in the Birthday business were all in line with plans.

(%/pt)

Business	Period	Gross profit			Price reduction			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	FY2/23 1Q	103.5	33.5	+0.2	79.5	6.7	−2.0	101.1
	FY2/22 1Q	140.9	33.3	+3.6	81.4	8.7	−5.6	95.7
	FY2/22 total	107.1	33.2	+0.1	93.1	7.3	−1.1	98.3
Avail	FY2/23 1Q	116.0	38.0	+2.0	86.1	16.2	−4.4	98.6
	FY2/22 1Q	158.9	36.0	+4.6	95.9	20.6	−9.2	92.1
	FY2/22 total	111.0	38.3	+0.3	100.6	15.6	−1.4	92.3
Birthday	FY2/23 1Q	108.1	36.6	−0.2	94.1	2.4	−0.4	112.4
	FY2/22 1Q	142.9	36.8	+3.9	45.1	2.8	−5.1	91.7
	FY2/22 total	112.4	34.6	+0.5	101.9	5.1	−0.5	108.8

7. Shimamura Business ①

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Strengthening product appeal

▽ Further enhancement of brands : Composition of in-house brands was 29.6%(PB+JB+FIBER)
Developed new products and improved existing products. PB sales up by 3.5% YoY.

▽ Expansion of high-priced brand "CLOSSHI PREMIUM" : Sales were approx. 1.5x YoY.

▽ Updated the functionality and comfort of products, mainly through the Market Research Department. External evaluation is favorable.

Developed new products and improved existing products

CLOSSHI

Initiatives in the higher-priced brands

CLOSSHI PREMIUM

Magazine "LDK the Beauty"
“Easy care and clean knitwear”

"FIBER DRY" underwear

7．Shimamura Business ②

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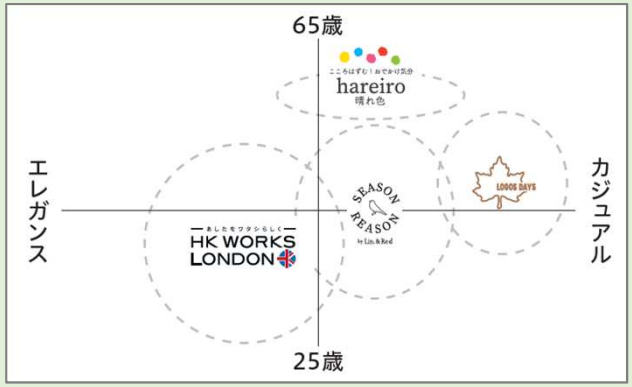
Strengthening product appeal

▽ Further development of brands : JB ratio was 10.1%. Sales rose by 9.5% YoY.
"SEASON REASON" and "HK WORKS LONDON" were strong the due to the surge in 'going out' demand.

▽ Developed a private brand-development system, and merchandises, sales departments, and sales promotion were integrated.　We have 12 brands in total. Held a "Direction meeting" at each brand to unify intentions.

[Flow of brand development]

① Determination of "Positioning"



② Formulation of "Mission"

③ Held a "Direction meeting"

④ Selection of "Seasonal color"

⑤Held a "Joint business meetings"

⑥ Start of "Individual business meetings"

7. Shimamura Business ③

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Strengthening sales power

▽ Evolve and diversify digital sales promotion : 18 web advertisement in total (last year : +1)

Promoting the appeal of PB products with videos. Flexibly respond to changes in temperature.
In addition to the Instagram account named "Shima-style“, we opened “TikTok” account.

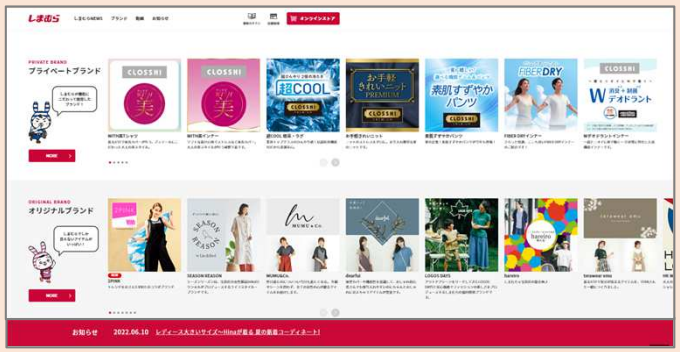
▽ Full renewal of website and app. Increased information volume and linked to e-commerce site.

Expansion of web advertisement

Opened “Tik Tok” account

Publication of "Shufoo!" flyers

Expansion of information volume through website and app renewal



“Shima Pato”TVCM

7. Shimamura Business ④

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Strengthening sales power

▽ Strengthened regional response : Sales in Hokkaido and Okinawa exceeded all-store averages.
Hokkaido : Response to sports day (long sleeve clothes,etc).
Okinawa Prefecture : Early development of summer products from March.

▽ Strengthened response to individual stores : Expanded response to 250 urban area stores. (50 stores last year)
Arrangement of exclusive products and distribution of flyers. Sales exceeded the average for all stores.

Hokkaido limited products

Okinawa limited flyer

Okinawa limited products

Flyers exclusively for urban area stores

Special section exclusively for urban area stores

Beauty products exclusively for urban area stores

8. Avail Business

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Strengthening product appeal and sales power

▽ Strengthened trend proposal centered on JB products : JB ratio was 37.4% (no results in 1Q last year). Expanded the three JB brands and strengthened total coordination proposals in sales corners.

▽ Strengthened character products : Ratio of characters was 13.0%. Net sales were about 2 times YoY. Developed Avail limited products, from wears to general merchandises. Strengthened sales promotion and sales corners creation.

Strengthened proposals for wears x fashion accessories

Avail limited character products

Character video promotions

Dedicated space for character products

Planning meeting on character products

9. Birthday Business

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Strengthening product appeal and sales power

▽ Strengthened the product appeal of JB : Ratio of JB products was 25.7%. Sales up by 18.5% YoY. Developed new products and expanded product lineup. Zoo collaboration products and gift items became hot seller.

▽ Diversified planning : Expansion of collaborative planning with mommy influencers. Gathering the opinions of mothers at social media and discussions and commercializing them. Influencers promoted product information.

"futafuta" × Ueno Zoo

JB × Swimwear

"Cottoli" × Gift

Mommy influencer collaboration project

Roundtable discussion

Published food recipe

10. Risk Factors and Responses

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Rising raw material costs

1） Although the impact on purchase costs was on individual products, the overall impact was minor.

2） Future responses（3Q and beyond）

① Price concept

・Maintain prices of standard products such as PB "CLOSSHI" as much as possible.

・Review the mix of low-priced products and gradually increase the mix of high-priced products.

・Trend and functional products are flexibly priced with enhanced design and functionality.

② Approach to Production

Continue to reduce costs in cooperation with suppliers by utilizing off-peak periods at factories, promoting fabric and line contracts, and reviewing countries of production.

The Shanghai Lockdown

1） Impact on Delivery (May)

It affects about 10-20% of all purchases. Delay in delivery, partial cancellation of insert flyers.

2） Future responses (2Q and Beyond)

① Deliveries of merchandises that had been delayed summer products were completed in June.

② Dispersion of production areas (in China and ASEAN countries). Promoting since the 2H of last year.

10. Risk Factors and Responses

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About Cyber Security

1） Overview of authorized external access.

① Background

・May 4 ... Unauthorized access from outside was detected.

・May 5 ... Cashless payment at the store was temporarily suspended. The next day, the service was resumed. Other services were resumed sequentially after confirming safety.

・May 11 ... All services in stores and online stores were resumed.

② Status of Response

・There was no leakage of personal information, including customer information.

・The impact on management and operations is minimal.

・Investigation is ongoing in cooperation with investigative agencies.

2） About Cyber Security

① Improvement details

・Countermeasures in case of intrusion after protection by the latest virus-responsive software. Introduction of highly secure communication methods.

・Review of “zero-trust”. Improved defense and response capabilities throughout the Group.

11. Consolidated Business Forecasts for FY2/23

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▽ Net sales to up by 3.9% YoY and operating income to up by 5.3% YoY.

▽ Dividend per share is expected to be 250 yen for the full year (an increase of 10 yen).

* There is no change from the announcement of financial results on April 4 (Million yen/%)

	FY2/23 Forecast	YoY	Ratio to sales	FY2/22 Result	Ratio to sales
Net sales	606,608	103.9	100.0	583,618	100.0
Gross profit	207,363	104.2	34.2	198,930	34.1
SG&A	156,619	104.0	25.8	150,663	25.8
Operating income	52,058	105.3	8.6	49,420	8.5
Ordinary income	52,998	104.8	8.7	50,567	8.7
Net income attributable to owners of parent	37,197	105.0	6.1	35,428	6.1
Net income per share	1012.16 yen	–	–	964.04 yen	–
Dividend per share	250 yen	–	–	240 yen	–

12. Information Disclosure

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Financial Results Briefing Part II: Briefing Session on ESG

▽ Today, June 27 (Monday) 17:00 to 18:00
Teleconference format (pre-informed)

Financial Results Materials (Disclosed on the corporate website)

▽ Financial Results Briefing Materials (with comments): June 27 (Monday)
▽ Financial Results Briefing (Summary of Question and Answer Session): June 28 (Tuesday)
▽ Financial Results (English version): June 28 (Tuesday)
▽ Financial Results Briefing (English version): June 30 (Thursday)

Cautionary Statement Regarding Forward-Looking Statements, etc.

The forward-looking statements, including business forecasts, contained in this document are based on judgments made in accordance with information available at the time of this document's release and are subject to a number of uncertainties.

Actual results may differ from these forecasts due to changes in business conditions and other factors.