This is Oota, Planning Section General Manager. Thank you very much for taking time out of your busy schedule to attend today's financial results briefing.

I will begin by explaining the results for the fiscal year ended February 2022. President Suzuki will then present the financial forecast and management policy for the fiscal year ending February 2023, as well as the progress of the medium-term management plan.

Consolidated Results: Income Statement

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- Net sales, operating income, ordinary income, and net income reached record highs.
- SG&A to sales ratio was 25.8% (-1.3ppt. YoY). Each expenses were appropriately controlled.

(Million yen/%)

	FY2/22	YoY	Ratio to sales	1H	YoY	2H	YoY
Net sales	583,618	107.6	100.0	284,592	111.9	299,025	103.7
Gross profit	198,930	108.1	34.1	97,671	114.9	101,259	102.2
SG&A	150,663	102.5	25.8	72,870	104.9	77,793	100.3
Operating income	49,420	130.0	8.5	25,342	158.6	24,078	109.2
Ordinary income	50,567	128.3	8.7	25,835	157.8	24,731	107.4
Net income attributable to owners of parent	35,428	135.4	6.1	17,427	165.6	18,000	115.1
Net income per share	964.04yen	–	–	–	–	–	–

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I will explain the consolidated results for the fiscal year ended February 2022. The respective numerical results are as shown.

First, in terms of external factors, personal consumption remained sluggish in the first half of the year as a state of emergency was continuously declared due to the novel coronavirus pandemic, and people continued to refrain from going out and traveling, and the Tokyo Olympics, which won a record number of gold medals for the Japan team, was held without spectators, which did not stimulate consumption. In the second half of the year, consumer confidence picked up from October through the year-end and New Year's holidays due to a decrease in the number of infected cases. However, after the new year, the number of infected cases increased sharply due to the spread of the Omicron strain, and semi-emergency measures were issued to prevent the spread, resulting in a difficult consumer environment again for apparel sales.

Regarding weather, the first half of the year saw high temperatures in March and April, while May and June saw the onset of the rainy season, with rain and cloudy weather throughout the country. Although the rainy season ended early in July, August was a cool month, and summer sales were lackluster. In the second half of the year, temperatures dropped in September, and October and November brought cooler mornings and evenings. December through February was marked by midwinter cold and snowfall, and winter goods were strong, especially practical products.

In response to these external factors, we pushed forward with strengthening our product appeal and sales power, centering on our brand strategy, and as a result, we achieved record highs in net sales, operating income, ordinary income, and net income.

In terms of expenditures, SG&A expenses were 25.8% of net sales, 1.3 percentage points below the previous year's level. This is as a result of appropriate control in each expense category, including advertising, personnel, and rent expenses.

Sales by Business

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- Domestic sales increased by 7.7% YoY. Three of the businesses posted three-digit growth.
- Divalo's number of stores declined, while sales at Si meng le（Taiwan）declined due to the novel coronavirus pandemic measures.

* Sales of the EC business are included in the Shimamura Business and Birthday Business. (Million yen/%)

	FY2/22	YoY	Composition ratio	1H	YoY	2H	YoY
Shimamura	440,118	106.8	75.4	215,497	111.8	224,620	102.4
Avail	54,446	110.0	9.3	26,515	112.8	27,930	107.6
Birthday	69,505	110.9	11.9	33,783	114.8	35,721	107.5
Chambre	13,270	113.2	2.3	6,325	112.6	6,945	113.8
Divalo	649	97.3	0.1	346	102.1	302	92.3
Shimamura (non-consolidated)	577,989	107.7	99.0	282,468	112.3	295,520	103.7
Si meng le (Taiwan)	5,628	96.5	1.0	2,123	83.1	3,505	107.0
Shi ma la (Shanghai)	–	–	–	–	–	–	–
Shimamura (consolidated)	583,618	107.6	100.0	284,592	111.9	299,025	103.7

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I would like to explain sales by business segment. The respective numerical results are as shown.

In the Shimamura business, the Company expanded the development of PB, a brand developed in-house, (Private Brand), and JB, a brand developed jointly with supplier, (Joint Development Brand), to strengthen their brand power, and the linkage between the sales floor and sales promotion was effective. In addition, we expanded the breadth of our product lineup to include seasonal trend products, influencer projects, and character products. We also strengthened coordination proposals. All of these led to increase in the number of customers and the number of items purchased.

The Avail business performed well by expanding the three new JB brands launched in women's wear to men's wear, shoes, and fashion accessories, as well as linking the sales floor and sales promotion. The newly established interior department expanded its sales floor and product lineup, and the total development of character products led to an increase in the number of customers and the number of items purchased.

The Birthday business also performed well, thanks to an expanded assortment of mainstay JB products. Seasonal products performed well due to the front-loaded rollout, while the rate of price reduction declined due to the expansion of short-term additional production. Sales of occasional products such as supplies for entrance ceremony for kindergarten or elementary schools, increased by devising special sales floor.

Similarly, the Chambre business also saw sales growth with the launch of new JB and improved branding of existing JBs. The stay-at-home demand led to increased sales of cosmetics, confectionery, and bathing products, while character and JB kitchen and lunch products also performed well.

In the Divalo business, existing-store sales increased due to strong sales of seasonal products for women's wear and men's wear for young customers. However, overall store sales were lower than the previous year due to a decline in the number of physical stores.

At Si Meng Le in Taiwan, despite the expansion of Japanese-planned PB and JB and improvement of sales promotion methods, the number of customers declined due to the strict measures to prevent the spread of the novel coronavirus pandemic throughout Taiwan in the second quarter, resulting in lower annual sales than in the previous year.

Net sales and operating income margin per existing store by business

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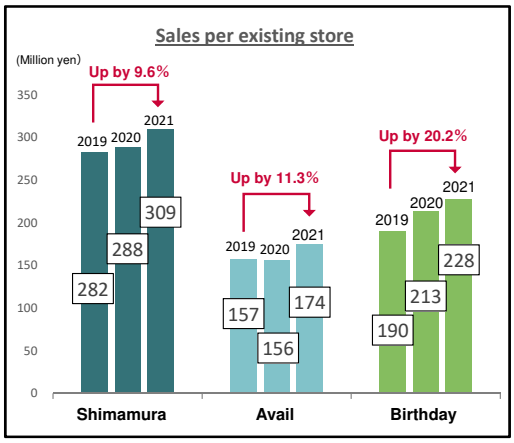
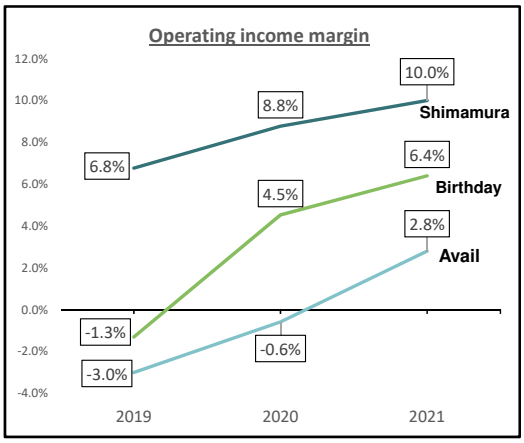
- Net sales per existing store and operating income margin of the three main businesses increased significantly.
- Shimamura: sales per existing store rose to Approx. 310 million yen. Operating income margin was 10.0%, recovering to the previous high level.
- Avail: returned to profitability. Birthday: increasing toward higher levels.





*Operating income of each business is calculated by prorating the shared expenses of the head Office and Transfer centers.

I would like to explain sales per existing store by business segment and operating margin.

The graph on the left shows sales per existing store. Shimamura's business results for FY2021 exceeded JPY300 million, steadily growing toward our mid- to long-term goal of JPY350 million or more. The results for FY2021 for the Avail and Birthday businesses also showed a high growth rate compared to FY2019.

The graph on the right shows operating margin by business segment, including head office and the transfer centers expenses. The operating profit margin for Shimamura business in FY2021 was 10%, returning to the high profit levels of previous years, thanks to higher gross profit margins from price reductions and high management efficiency based on low-cost operations.

The FY2021 results for the Avail and Birthday businesses have turned positive from the being in negative in FY2019. With the number of stores each exceeding 300 and store sales rising, the profit margin is reaching to the level that makes the business viable.

In our medium- to long-term plan, the Shimamura business will be our core business, and we will strive to ensure steady growth in existing store sales and sustainable high profit margins. In addition, the Avail and Birthday businesses will expand their respective business scales and increase their profit margins, leading to sustainable growth of the SHIMAMURA Group as a whole.

Consolidated Results: SG&A Expenses

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- Personnel expenses: ratio to sales was 12.7%, controlled by reduction of work in stores, etc.
- Advertising expenses: ratio to sales decreased to 2.0% by utilizing digital advertising, etc.

*In FY2/21, SG&A expenses temporarily decreased significantly due to shortened business hours and voluntary restraint of promotional activities.

(Million yen/%)

	FY2/22	Ratio to sales	FY2/21	Ratio to sales	YoY	FY2/20	Ratio to sales	Yo2Y
Salary	63,499	10.9	61,892	11.4	102.6	58,962	11.3	107.7
Total personnel expenses	74,282	12.7	72,620	13.4	102.3	69,947	13.4	106.2
Advertising expenses	11,620	2.0	11,478	2.1	101.2	14,876	2.8	78.1
Total selling expenses	18,564	3.2	17,931	3.3	103.5	20,609	4.0	90.1
Supplies expenses	1,295	0.2	1,262	0.2	102.6	956	0.2	135.5
Freight cost	2,085	0.3	2,208	0.4	94.4	1,716	0.3	121.5
Total operating expenses	8,165	1.4	7,634	1.4	106.9	7,690	1.4	106.2
Rents	32,797	5.6	33,241	6.1	98.7	33,857	6.5	96.9
Depreciation and amortization	5,911	1.0	5,471	1.0	108.0	5,367	1.0	110.1
Total equipment cost	45,215	7.7	44,625	8.2	101.3	45,449	8.7	99.5
Total general expenses	4,436	0.8	4,206	0.8	105.5	3,906	0.8	113.6
Total SG&A expenses	150,663	25.8	147,018	27.1	102.5	147,602	28.3	102.1

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

Personnel expenses were controlled at 12.7% of sales. This is due to the change in sales floor layout and the standardization of sales floors through the use of two tablet terminals installed in each store, as well as the optimization of inventory through the use of short-term production and the leveling of weekly purchase amounts, which has reduced store operations.

Advertising expenses were kept low at 2% of sales, while at the same time achieving sufficient advertising effects. This is as a result of further strengthening digital sales promotion, such as the distribution of video advertisements, while optimizing the balance between newspaper inserts and web flyers and reducing TV commercials to zero.

On the other hand, total selling expenses increased 3.5% from the previous year. This was due to an increase in sales commissions resulting from an increase in cashless payments by credit cards and electronic money. The percentage of cashless payments at store checkout was 35.4%, 5.4 percentage points up from the previous year.

Rental expenses decreased by 1.3% from the previous year as a result of closing unprofitable stores, etc., and were kept lower than the previous year at 5.6% of sales, while the number of stores increased.

Consolidated Results: Balance Sheets

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- Assets: cash and deposits increased due to company policy. Merchandise inventories are at an appropriate level.
- Liabilities: decreased by 5.3% YoY. It was increased in the previous fiscal year due to the construction cost of the new head office.

(Million yen/%)

	End-FY2/22	Composition ratio	End-FY2/21	Composition ratio	YoY
Current assets	302,626	63.7	276,371	61.2	109.5
Noncurrent assets	172,184	36.3	175,427	38.8	98.2
Total assets	474,811	100.0	451,798	100.0	105.1
Current liabilities	54,433	11.5	58,625	13.0	92.8
Noncurrent liabilities	9,382	2.0	8,785	1.9	106.8
Total liabilities	63,815	13.4	67,410	14.9	94.7
Total shareholder's equity	407,595	85.9	380,614	84.2	107.1
Accumulated other comprehensive income	3,399	0.7	3,773	0.9	90.1
Total net assets	410,995	86.6	384,388	85.1	106.9
Total liabilities and net assets	474,811	100.0	451,798	100.0	105.1

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The next section provides a breakdown of the consolidated balance sheet.

Liquid assets increased 9.5% YoY. The main factor was an 11.4% increase YoY, in the sum of cash and deposits, accounts receivable, and marketable securities. In the breakdown, marketable securities decreased, and cash and deposits increased. Given the current uncertainty in the financial markets, we have decided to increase the weight of cash and deposits, which are safe assets.

In addition, merchandise inventories increased 3.9% YoY. In all businesses, the strong sales of winter goods in the fourth quarter led to low inventories of winter goods and an appropriate inventory with a higher ratio of spring and summer goods.

Total liabilities decreased 5.3% YoY. The main factor was the completion of the new head office, which eliminated accrued construction costs.

Number of Customers, Number of Items Purchased , Unit Price (YoY) しまむらグループ

- Same-store sales increased YoY and Yo2Y in all three businesses.
- The main reason for the increase in sales is the increase in the number of customers due to strengthened product and sales capabilities.

(%)

Business	Period	Net sales		Number of customers	Number of items purchased	Spending per customer	Unit price per item
		Existing stores	All stores				
Shimamura	1H	111.9	111.8	110.6	101.1	99.4	101.7
	2H	102.8	102.4	101.9	100.4	102.0	98.5
	Full-year total	107.1	106.8	106.1	100.7	101.0	99.7
Avail	1H	113.2	112.8	113.5	99.4	100.0	99.4
	2H	108.7	107.6	107.0	100.5	102.9	97.6
	Full-year total	110.9	110.0	110.1	99.9	101.6	98.3
Birthday	1H	112.8	114.8	111.9	102.6	100.5	102.1
	2H	104.0	107.5	106.4	101.0	103.5	97.7
	Full-year total	108.2	110.9	109.1	101.7	101.8	99.9

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I would like to explain sales, number of customers and points purchased, and average spend per customer for both existing and all stores.

Comparable store sales in all three businesses exceeded the results of the previous year and the two previous years.

Next, I will explain the results of the Shimamura business. The number of customers increased 6.1% YoY. The expansion of PB, JB, influencer project, and character products attracted more customers, while the expansion of new product categories such as beauty products and the enhancement of sales promotion through digital advertising led to the acquisition of new customers.

The number of items purchased increased 1% YoY. This was due to the strengthening of coordination proposals by expanding the product lineup through JB and influencer project, and a wide range of popular character products, from wear to knickknacks and interior products.

The price per item decreased 0.3% YoY, and it decreased 1.5% YoY in the second half. This was mainly because of the slow movement of fall and winter goods in October as the summer heat lingered for a while.

Gross profit, Price reduction, Inventory YoY

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- Utilization of short-term production, flexible control of purchasing and inventory, and reduction of cash limited-time discounts have helped control price reduction, leading to record gross profit margins.

(%)

Business	Period	Gross profit			Discount			Inventory
		Gross Profit YoY	Gross margin	YoY	Price reduction YoY	Price reduction rate	YoY	Inventory YoY
Shimamura	1H	114.5	33.6	+0.8	92.5	7.6	−1.5	97.9
	2H	100.7	32.9	−0.5	93.8	7.1	−0.6	98.6
	Full-year total	107.1	33.2	+0.1	93.1	7.3	−1.1	98.3
Avail	1H	114.5	37.5	+0.6	104.0	17.3	−1.4	93.0
	2H	108.0	39.1	+0.1	96.8	14.0	−1.5	91.7
	Full-year total	111.0	38.3	+0.3	100.6	15.6	−1.4	92.3
Birthday	1H	122.6	35.3	+2.2	72.6	4.5	−2.6	99.4
	2H	103.8	33.8	−1.2	145.1	5.8	+1.5	118.7
	Full-year total	112.4	34.6	+0.5	101.9	5.1	−0.5	108.8

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We will discuss the results of the Shimamura business with respect to gross profit, price reduction, and inventory.

Gross profit increased 7.1% YoY, 0.1 percentage points up in percentage rate. Price reduction decreased 6.9% YoY, down 1.1 points on a percentage basis.

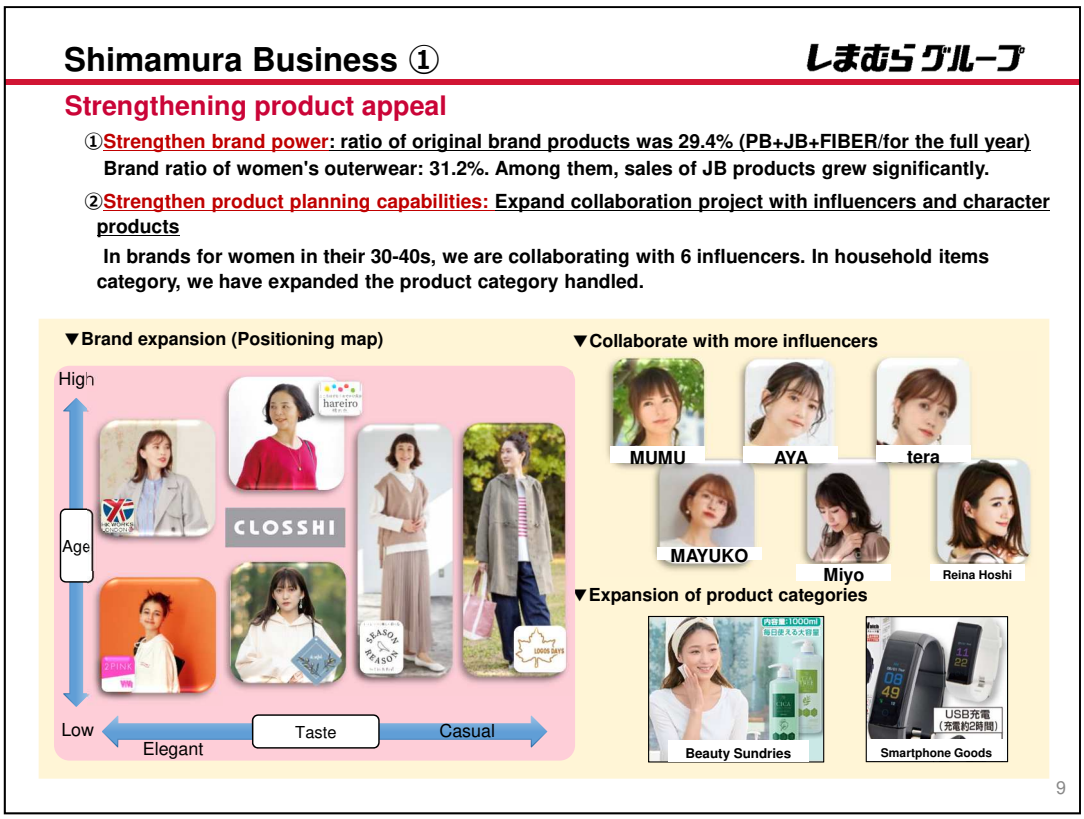
The reduction in price reductions was made due to the use of short-term production, which allowed for flexible purchasing and proper inventory control, as well as a significant reduction in limited-time discounts at bargains.

Short-term production accounted for 28.2% of total wear sales, with the women's teens segment accounting for 59.2%. In the shoes and accessories segment, where short-term production was fully introduced, the ratio expanded significantly from 8.1% in the previous year to 16.5%. This enabled additional production of hot sellers, especially trendy items, which led to the sales in this division to increase 16.5% YoY.

The limited-time discounts were not implemented after the July of this fiscal year. The number was reduced to 11 for the year as well, a significant reduction from 147 in the previous fiscal year. This was achieved through a major overhaul of the way the flyers were presented, emphasizing product appeal and planning capabilities rather than relying solely on low prices.

As a result of the above efforts, gross profit margin reached the record high of 33.2%.

Note that the increase in inventory in the Birthday business, 8.8 percentage points up from the previous year, is due to the lifting of inventory levels to appropriate levels in response to the problem of lost sales opportunities caused by the shortage of seasonal products in the previous year.



From here, I will explain the results of our efforts on the priority issues.

First, I would like to explain how we are strengthening the product appeal of the Shimamura business. First, we expanded PB and JB to strengthen our brand power. At PB“CLOSSHI”, T-shirts from “COTTON FROM USA” for wear, and down jackets and pants from “CLOSSHI PREMIUM” were hot sellers. In practical products, “the Four Dedication Series”, which focuses on functionality and comfort, and “FIBER DRY” and “FIBER HEAT”, which further enhance functions such as quick-drying and heat retention, performed well in underwear, socks, bedding, and interior goods.

In JB, sales increased by expanding the product lineup of “SEASON REASON” with natural taste and “LOGOS DAYS” with outdoor taste to include wear, fashion accessories, bedding and interior goods.

In new JB, we launched a brand for mature women, “hareiro”. This enabled us to assort the appropriate brands for each segment in our positioning MAP, which divides women's wear by age and product taste. As a result, the ratio of brands to net sales, PB, JB, and FIBER series totaled 29.4%, with the ratio of JB in particular rising to 8.7%.

For the influencer project, we increased the number of influencers in the women's wear for middle age to six and distributed information via web flyers and SNS. In character products, a wide range of major characters and seasonal characters popular in animation and SNS were offered, from wear to general goods and interior goods. These responses led to an expansion of new customers and an increase in the number of items purchased.

In other efforts to expand product categories to attract new customers, the general good division began handling beauty products and smartphone goods, which became hot sellers.

Shimamura Business ②

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Strengthening sales power

①Expand digital advertising: 31 video ads (9 last year). Also increased web flyers.

Number of social media followers reached approx. 30 million. Promotion via official YouTube channel and Instagram accounts.

②Strengthen regional response: Strengthen response to local and urban areas, underperforming stores, Okinawa and Hokkaido stores.

Expanded limited champaign for urban areas to 250 stores this fiscal year. Various fairs held during the off-season also produced positive results.

▼Video advertising, official YouTube channel

Video advertising

Shima Style

▼Strengthen regional response

Limited champaign for urban areas

Area-specific flyers

▼Strengthening fairs

Fashion Goods Fair

Baby Fair

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I would like to explain about “strengthening sales power”.

As for expanding digital advertising, we expanded video advertising on SNS and video streaming sites, with a total of 31 videos distributed. The number of SNS members reached approximately 30 million, 15.4% up YoY.

New initiatives include the launch of “ShimaStyle”, an Instagram channel that specializes in women's teens, and “Shimamura's official YouTube channel”, which distributes product introduction videos. We create and operate this YouTube channel by ourselves, so that we can stream information in flexible manner. We have received huge response in the products development for petite women, and we will expand it from 50 to 500 stores in this fiscal year.

I would like to explain the strengthening of regional response. Reviewing product development and sales promotions in response to differences in sales and climate by area, such as rural vs urban stores, stores with poor sales, and Hokkaido vs Okinawa, led to improved sales by individual store. In particular, 50 stores in urban areas expanded their handling of JB and influencer project for women’s teens and young adults, resulting in a significant 12.8% increase in sales at the relevant stores YoY. This fiscal year, the number of target stores will be expanded to 250, and exclusive products and promotions will be launched.

Various other fairs were also planned as measures to improve sales during the off-season months such as August and February. Among them, “The fashion goods fair” launched in February focusing on general goods and shoes, which handled new products such as beauty goods, produced favorable results despite the severe cold weather.

I will explain our efforts in the Avail business.

In order to establish the brand, Avail has decided on JB to develop three brands, “CHIP CLIP”, “SUREVE”, and “Rag Out”, throughout Avail. Avail also expanded its lineup to include women's and men's outerwear, shoes, and bags. As a result of the total coordination development, JB accounted for 29.5% of total net sales.

In the newly launched division of interior and household goods, we expanded our product lineup to include cushions, towels, bath mats, and aprons which are mainly on character products, and also expanded the sales floor, which led to the acquisition of new customers and an increase in sales. In addition, female employees were in charge of product purchasing and inventory control in this department, and they created the sales corner with their choice of products from a female perspective, which was also effective to increase in sales.

Character products included a wide range of products from women's and men's wear to general goods and were collectively launched in flyers and on SNS to increase appeal and increase customer traffic. In addition to well-known characters, we also aggressively marketed niche characters which are popular in anime and SNS, resulting in character products accounting for 10% of total sales. The establishment of a special sales floor near the entrance of the store, where character products were sold in concentration weekly, was also effective in increasing sales.

Birthday Business

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Strengthening product appeal and sales power

①Expansion of mainstay JBs and launch of new JBs: Ratio of JB products was 24.8% (+5.4pt YoY)
Mainstay JB is expanding in total packages with wear and bedding. Also increased character collaboration products.

②Expansion of occasional products: school supplies, graduation supplies, Christmas gifts, etc.

③Social media promotion: Number of followers of Instagram: 580,000 (largest in Japan)

▼Expansion of mainstay JB wears + practical use items

▼JB + character

▼Occasional products

School Supplies

Christmas

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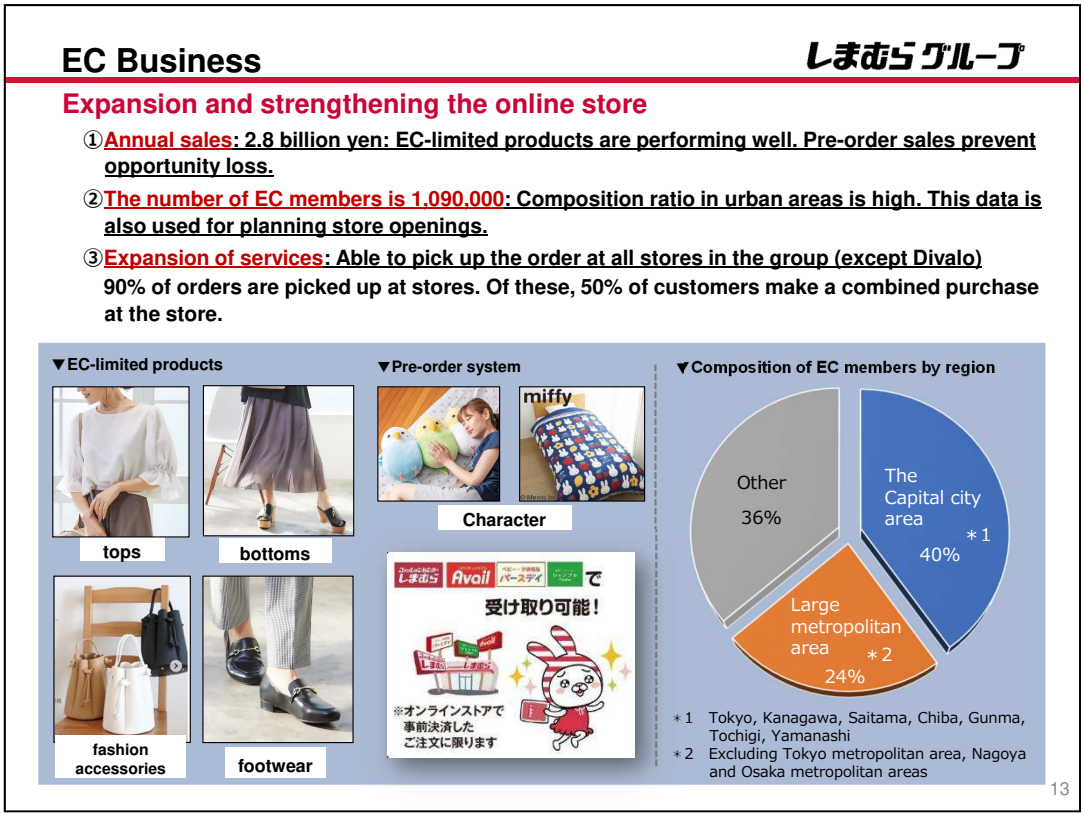
I would like to explain the Birthday business initiative.

First, with respect to the expansion of mainstay JB, we expanded the lineup of JB's "tete a tete" and "futafuta" products. Each brand performed well, offering a wide range of products from wear to general goods, school supplies, and bedding. Products made in collaboration with Disney and other characters also became hot sellers. "Cottoli", a new JB for newborns, has also performed well since its launch. As a result, JB accounted for 24.8% of net sales, 5.4 percentage points up YoY.

As for occasional products, we have expanded our line-up to include supplies for school or kindergarten entrance, field trips, Christmas gifts, and snow-related items. As for sales corner creation, we set up a special sales area on the main aisle floor to timely launch seasonal events. As a result, we have become a specialty store with a product lineup for baby and children's goods that local customers rely on, and the number of customers has increased.

In sales promotion, we have strengthened information distribution via SNS. In particular, the number of followers on Instagram exceeded 580,000, making it the largest official account of a baby and children's goods store in Japan.

In addition to SNS, the official website and apps were also used to distribute videos introducing JB, in order to increase awareness of each JB brand and various occasional products.



I will explain our efforts in the e-commerce business.

Annual online store sales totaled JPY2.8 billion. In the breakdown, the Shimamura business generally performed as planned, but the Birthday business fell short of the plan.

In the Shimamura business, approximately 60% of sales were online store exclusive products, and influencer projects and character products performed well. As for the sales format, pre-order sales accounted for approximately 50% of total sales, and it prevented losing sales opportunities due to sold-out and also reduced the EC center's inventory.

On the other hand, in the Birthday business, sales were sluggish at the beginning of launch of the EC in September, although the product lineup was mainly online exclusive products similar strategy to the Shimamura's EC. Currently, we are improving our product lineup by increasing the composition ratio of character products and products on our flyer, which are frequently requested by our customers.

The number of members reached 1.09 million. The breakdown by region shows a higher percentage in the Tokyo metropolitan area, including Tokyo, Kanagawa, and Saitama, and in metropolitan areas such as Osaka and Aichi. In the future, we will put in place a system to utilize data obtained from membership information in our store-opening strategy as well.

In terms of service, we have made it possible for customers to pick up their merchandise at all stores in the Group, with the exception of Divalo. Of the customers who made purchases through the online store, more than 90% received their products at the stores, and 46% of these customers also purchased other products at the stores.

As a result, the main objective of the e-commerce business, mutual customer transfers between online and physical stores, is progressing well.

Consolidated Business Forecasts for FY2/23 しまむらグループ

- Net sales are expected to increase by 3.9% YoY, and operating income is expected to increase by 5.3% YoY.
- Annual dividend per share is expected to be 250 yen. (Dividend increase of 10 yen.)

(Million yen/%)

	FY2/22 Forecast	YoY	Ratio to sales	FY2/21 Result	Ratio to sales
Gross profit	606,608	103.9	100.0	583,618	100.0
SG&A	207,363	104.2	34.2	198,930	34.1
Operating income	156,619	104.0	25.8	150,663	25.8
Ordinary income	52,058	105.3	8.6	49,420	8.5
Net income attributable to owners of parent	52,998	104.8	8.7	50,567	8.7
Net income per share	37,197	105.0	6.1	35,428	6.1
Dividend per share	1012.16yen	–	–	964.04yen	–
Net sales	250yen	–	–	240yen	–

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I am Suzuki, President of SHIMAMURA. From now on, I will be explaining the forecast for the fiscal year ending February 2023.

We plan net sales of JPY606.6 billion for the fiscal year ending February 2023, 3.9% up YoY, and gross profit 4.2% up YoY. We will further promote the strengthening of product appeal and sales power in each business to increase existing store sales.

To secure gross profit, we will maintain appropriate inventory levels by utilizing short-term production and optimize individual store inventories through the evolution of region-specific support, thereby curbing price reduction.

In addition, in response to the rise in purchase costs due to higher global prices, gross profit will be secured as planned by curbing price reductions and reviewing selling price settings for some fall/winter items.

SG&A expenses are planned to be JPY156.6 billion, 4% up YoY, or 25.8% of SG&A ratio. In addition to improving operational efficiency by simplifying store operations and digitizing advertising, we will suppress SG&A expenses by closing unprofitable stores and negotiating rent. On the other hand, the SG&A ratio is expected to remain flat from the previous year due to increases in employee salaries, EDP expenses associated with DX promotion, and display equipment expenses associated with the increase in new stores and changes in store sales floor.

Labor cost is planned to increase by 3.3% YoY, and base salary increases are expected to be 5% higher than in previous years. This is in response to the global inflation trend, as well as to secure talented and motivate employees.

As a result of the above actions, operating income is projected at JPY52 billion, 5.3% up YoY, with an operating margin of 8.6%.

The annual dividend per share is expected to be JPY250 per share, an increase of JPY10.

Consolidated Business Forecasts for FY2/23 (Sales Plan) しまむらグループ

- Same-store sales are expected to exceed the previous year's level in each business segment. Plan to increase it by more than 4.0% in Avail, Birthday, and Chambre.
- Divalo is in the process of restarting. Si meng le (Taiwan) was affected by the novel coronavirus pandemic measures in the previous fiscal year.

(%)

YoY	Existing stores	All stores		
Business	Full-year	1H	2H	Full-year
Shimamura	102.9	102.8	103.1	102.9
Avail	104.5	105.4	103.1	104.2
Birthday	104.8	106.9	107.3	107.1
Chambre	104.0	115.5	111.5	113.4
Divalo	100.2	96.2	107.9	101.7
Si meng le (Taiwan)	120.4	147.8	99.0	117.4

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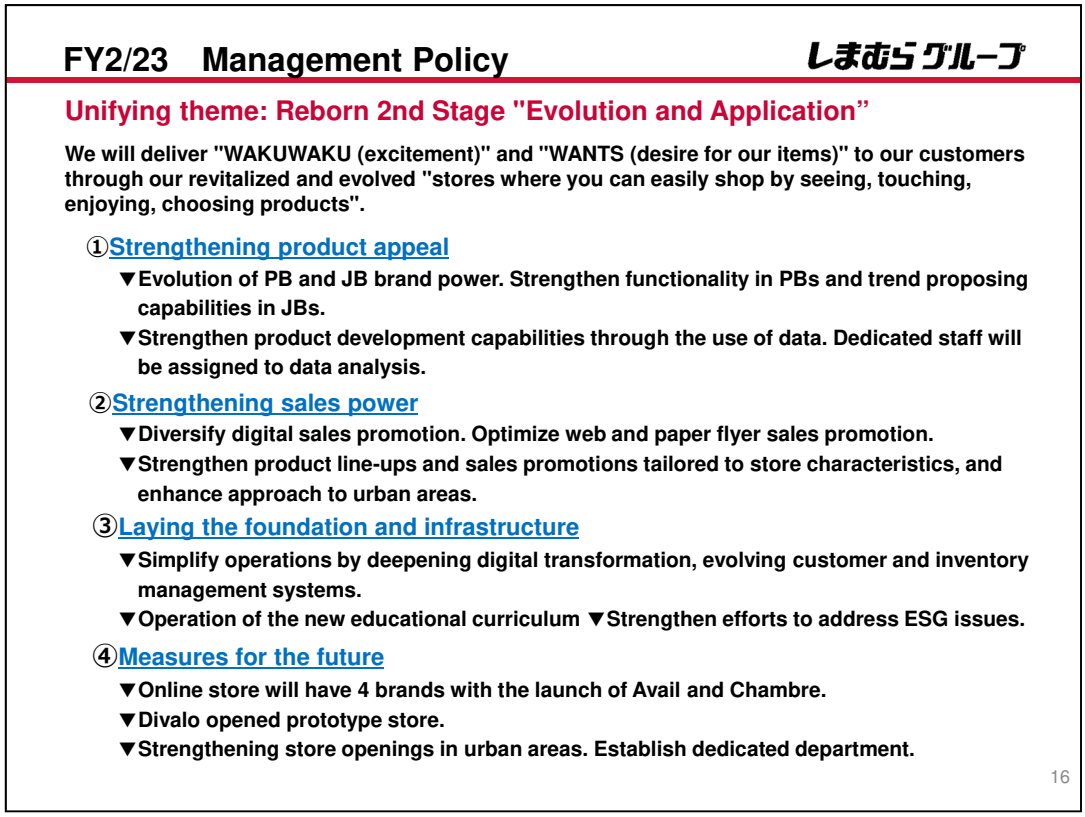
I will explain the sales plan by business segment.

Plans for comparable store sales call for 2.9% YoY increase in the Shimamura business, and more than 4% increase in Avail, Birthday, and Chambre business, respectively. As the number of customers visiting our stores has been growing steadily due to the evolution of our product appeal and sales power in each business, we plan to further increase existing store sales in the current fiscal year.

Note that the Divalo business was relaunched as a “new shoes & fashion” business in the previous fiscal year. Sales in existing stores are expected to remain flat this fiscal year as we are still researching product lineup in preparation for the opening of prototype stores.

In addition, we expect higher sales for the Taiwanese Si Meng Le business for the current fiscal year, as sales fell sharply in the previous fiscal year, especially in the first half, due to the implementation of strict prevention measures against the novel coronavirus pandemic throughout Taiwan.



I will explain our management policy for the fiscal year ending February 2023.

The unifying theme for this term is “Reborn 2nd Stage: Evolution and Application”. This is our second year of our medium-term management plan, “Re-Born”, and this year's theme is evolution and application. We will deliver “WAKUWAKU (excitement)” and “WANTS (desire for our items)” to our customers in a revitalized and evolved store where “they can see and touch, enjoy searching for items, and shopping with ease”.

First, in strengthening product appeal, we will evolve PB and JB brand strength in each of our businesses. PB will pursue functionality and improve recognition, while JB will expand its product lineup and strengthen in ability to propose trends. Planned products, such as character products and influencer projects, will strengthen product development capabilities through the use of data.

To strengthen sales power, we will diversify digital sales promotions such as video advertisements, and evolve flyer sales promotions to optimize the use of web and paper according to region and target demographics. In terms of regional response, we will expand product lineups and sales promotions tailored to store characteristics such as climate and customer base and strengthen our approach to urban areas.

In the development of the foundation and infrastructure, we will simplify operations by deepening DX and evolving customer and inventory management systems. In data analysis, a corresponding department will be assigned to advance analytical techniques. In human resource development, we will establish a system that encourages employees to step up to the next level.

ESG issues will be addressed by expanding the promotion team and related departments to strengthen our response to these issues.

In response to the future, the online store will expand in the four businesses and evolve its product assortment and services. Divalo, a “new shoes & fashion” business that has been relaunched, will open prototype stores.

To strengthen store openings in urban areas, we will add a store development department and promote the opening of profitable new stores, including site acquisition.

FY2/23 Policy by Business ①

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Unifying theme: Reborn 2nd Stage "Evolution and Application"

①Shimamura Business
- ▼PB: Branding evolution to increase awareness and expand higher-priced products.
- ▼JB and character products: Strengthen planning throughout the business to attract more customers.
- ▼Strengthen regional support in urban areas (to 250 stores). Sales promotion with dedicated products.
- ▼Install flatbed fixtures in bedding/interior and children's sections (to be completed by the end of this fiscal year)

②Avail Business
- ▼JB: Strengthen ability to propose trends and expand total coordination proposals.
- ▼Character products: Expand product lineup and sales floor with a focus on interior goods.
- ▼Review sales floor layouts and product assortments in urban and regional stores for regional support.

③Birthday Business
- ▼Expand JB product lineup, improve PB functionality, and create a sales floor that conveys product features.
- ▼Expand fresh character products and influencer projects.
- ▼Strengthen planning and development of products for various occasions and childbirth/child care products.

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I will explain our business-specific policies.

First is the Shimamura business. PB will improve recognition through evolution of branding methods and linkage with the sales floor and sales promotions and will also expand its lineup of higher-priced products.

JB and character products will strengthen planning across the business to attract more customers and evolve our ability to respond to market needs through SNS analysis and other means.

In terms of sales, the number of countermeasure stores will be expanded to 250 to respond to urban areas, and dedicated products and sales promotions will be implemented.

In terms of the new layout, we will complete the introduction of flatbed fixtures in the bedding/interior and children's floor at all stores by the end of this fiscal year, which has been underway since the previous fiscal year, to improve the ease of buying and selection for customers.

Next is the Avail business. We will strengthen our ability to propose trends, mainly in JB, and start offering total coordination with fashion accessories in the wear sales floor. To achieve this, we will also implement layout changes on a store-wide scale.

For character products, we will expand our product lineup and sales floor, particularly in the interior goods category, in order to broaden our customer base.

In order to response the regional needs, we will review the respective sales floor layouts and product assortments of urban and regional stores.

Next is the Birthday business. JB will expand its product lineup, while PB will improve quality and functionality, and will also strengthen the sales corners creation that convey its special features. Character products and influencer projects will expand fresh product planning. We will also strengthen our planning and development capabilities for school supplies and other occasional products, as well as for specialized in maternity and childcare products.

FY2/23 Policy by Business ②

しまむらグループ

Unifying theme: Reborn 2nd Stage "Evolution and Application"

④Chambre Business
- ▼Expansion & rebranding of JB in wear and knickknacks. Collaborate between sales floor and sales promotion.
- ▼Develop new character products, expand gift items and strengthen proposals.

⑤Divalo Business
- ▼Prototype store for "Shoes & Fashion" (scheduled to open in fall)
- ▼Improve the assortment of shoes, wear, and accessories and quality of sales floor.

⑥EC Business
- ▼Sales plan: 4 billion yen (143% YoY)
- ▼Start operations in the Avail and Chambre businesses (April)
- ▼Strengthen product assortments and expand e-commerce services to suit each business.

⑦Si meng le Business (Taiwan)
- ▼Rebuild brand with PB and JB planned in Japan and PB planned in Taiwan.
- ▼Strengthen the foundation and diversification of sales promotion (flyers, posting, restructuring of social medias)
- ▼Change sales floor to new layout and upgrading of display techniques.

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The Chambre business. JB will evolve its core brands in outerwear and general goods respectively and strengthen coordination with the sales floor and sales promotion. We will also promote the development of new character products.

In the gift service, we will enhance our ability to make proposals by expanding gift-oriented products and reviewing gift materials.

Next is the Divalo business. In the current fiscal year, we will work toward the opening of a prototype store scheduled for the second half of the fiscal year, and will continue to increase the level of completion of sales floor and items such as shoes, outerwear, and fashion accessories to create a store that integrates clothing and shoes.

Next is EC. The EC business sales plan for the current fiscal year is JPY4 billion. We are planning to start the Avail and Chambres EC businesses in April. With expanding the product lineup and services in each business, it will increase EC sales and membership and further enhance the effect of sending customers to our stores.

Finally, there is Taiwan's Si Meng Le project. In this fiscal year, we will increase the number of customers by strengthening product appeal and evolving sales promotions through brand restructuring, centered on PB and JB planned in Japan and PB planned in Taiwan. In addition, the sales floor will be changed to a new layout and display technology will be upgraded. In addition, we will strengthen our organizational structure by adding one Japanese expatriate in the position of general manager.

FY2/23 Store Opening / Closing Plan

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- Our group plans to open 35 new stores, close 16 stores, with net increase of 19 stores. Strengthen store openings of Birthday and Chambre. Increase profitability of Shimamura.
- Expand development department and strengthen support for the Tokyo metropolitan area; expecting high demand for e-commerce as well.

	End-FY2/22 Number of stores	Planned opening stores	Planned closing stores	End-FY2/23 Number of stores (Plan)
Shimamura	1,421	8	6	1,423
Avail	314	4	5	313
Birthday	310	9	2	317
Chambre	102	13	2	113
Divalo	15	1	–	16
Shimamura (non-consolidated)	2,162	35	15	2,182
Si meng le (Taiwan)	42	–	1	41
Shimamura (consolidated)	2,204	35	16	2,223

19

I'd like to talk about our plans for store openings by business segment.

We plan to open 35 new stores and close 16, for a net increase of 19 stores. The number of stores at the end of the fiscal year is expected to be 2,182 in Japan and 2,223 for the entire Group, including Taiwan. Due to decrease in the number of unprofitable stores, we plan to close 16 stores, down from 23 stores in the previous fiscal year.

By business segment, Shimamura and Avail will also relocate and scrap & build to increase store profitability. In addition, the criteria for sales floor space for new store openings at Shimamura have been changed. We plan to expand the market share in the region by broadening our product lineup based on 1,300 square meters of floor space.

In addition, Birthday and Chambre will continue to aggressively open new stores. One prototype store of Divalo is scheduled to open in the fall.

In addition, we plan to add a store development department in the current fiscal year to strengthen store openings in the Tokyo metropolitan area, including Kanagawa, and Saitama. This is because analysis of membership data from the EC business showed that a high percentage of customers are located in urban areas. Also, a high percentage of customers receive their products at stores in urban areas, so we believed that there are high latent needs in those areas.

However, based on our previous reflections, we will re-emphasize our efforts to open new stores in urban areas where needs are high by taking a rigorous and flexible approach, including strictly estimating store sales projections and rent ratios, and even considering the acquisition of land and buildings for some properties.

FY2/23 Capital Investment Plan

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- Capital investment of 16.4 billion yen is planned mainly for the purpose of opening new stores.
- Land is planned to be used for stores and Transfer Center in the amount of 10 billion yen.

(Million yen)

Shimamura (non-consolidated)	Amount	Breakdown
Buildings	4,740	New stores, Refurbishment of existing stores
Buildings and structures	590	New stores, Refurbishment of existing stores
Machinery and equipment	30	Transfer Center
Furniture, fixtures and vehicles	220	New stores, Existing stores（Cash registers, acceptance inspection machines, etc.）
Land	10,000	New stores, New Transfer Center
Construction in progress	310	New stores
Total tangible fixed assets	15,890	
Guarantee deposits	460	New stores
Leasehold right	80	New stores
Capital expenditure	16,430	

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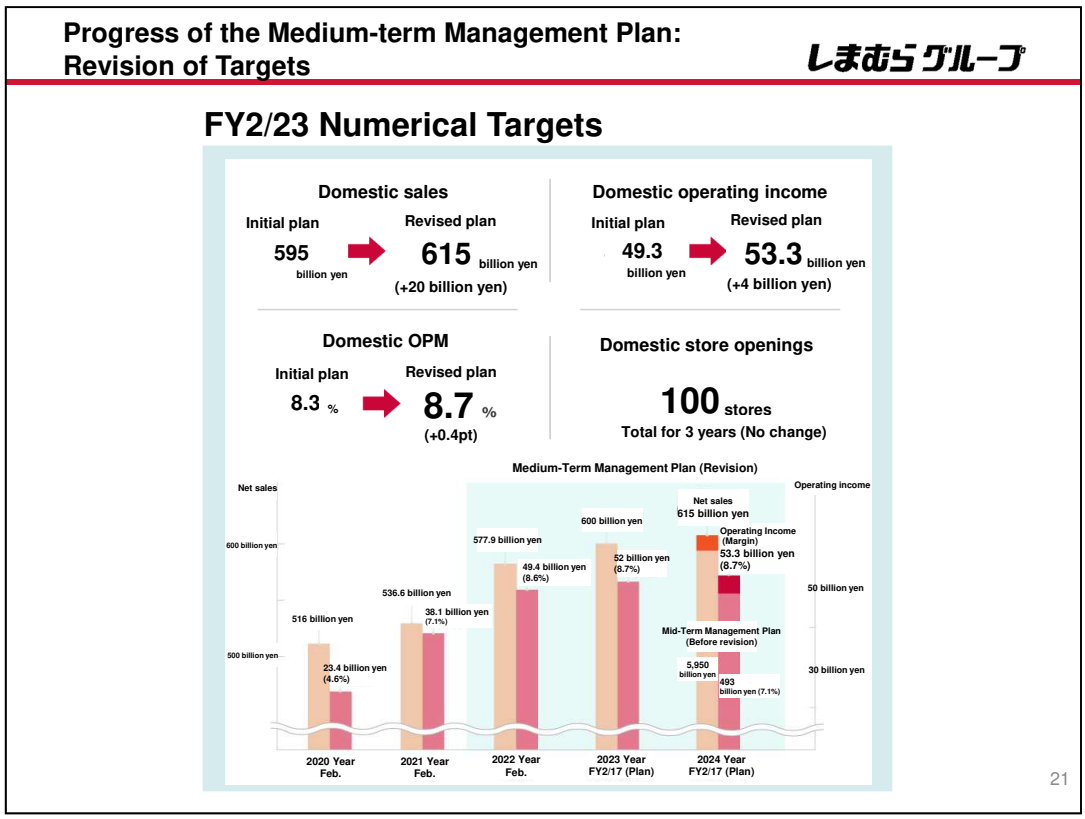
I'd like to explain about the capital investment plan.

Annual capital investment is planned at JPY16.4 billion. This is expected to consist mainly of investments in buildings for new stores, equipment such as structures, and land.

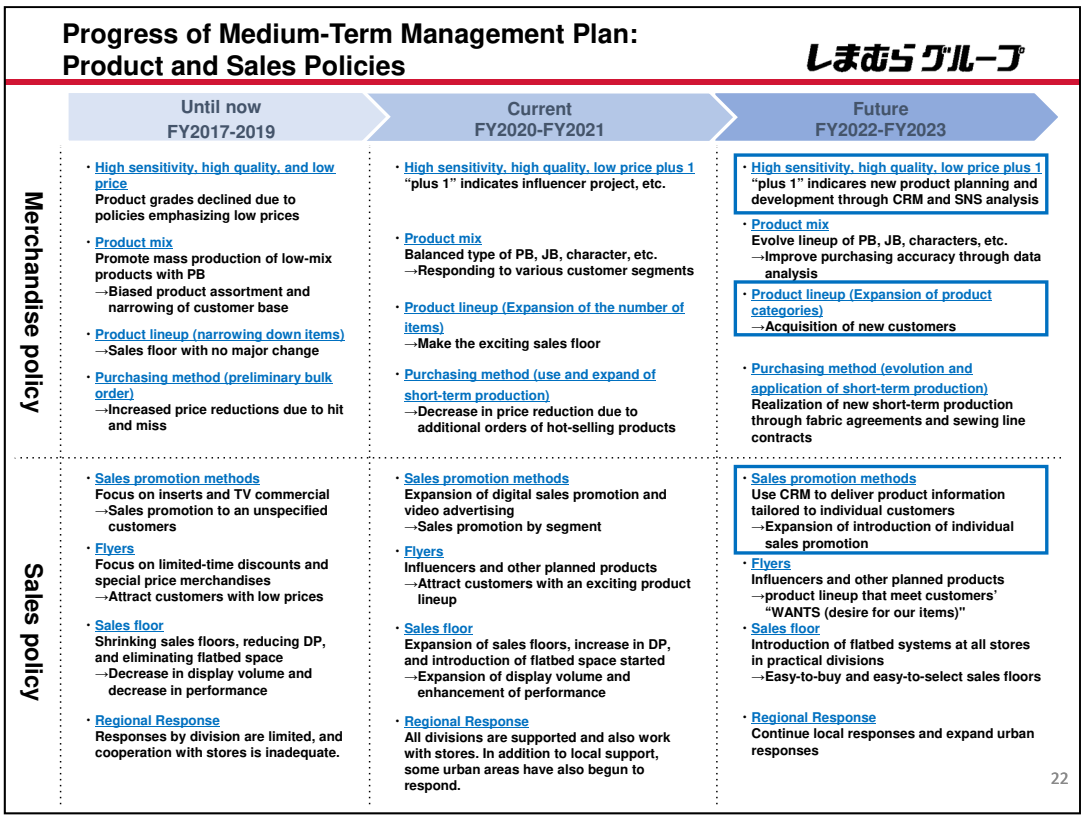
The plan for land is JPY10 billion. This investment is expected to be for retail space and a Transfer Center in the Kansai region.



I will explain the progress of our medium-term management plan, which ends in the fiscal year ending February 2024.

First, I would like to explain the updated numerical targets. The domestic sales plan for the fiscal year ending February 2024 is revised upward to JPY615 billion, adding JPY20 billion to the original plan. The domestic operating income plan is revised upward to JPY53.3 billion, adding JPY4 billion to the original plan. The operating margin is revised upward to 8.7%, aiming for a new record high operating margin.

The three-year domestic store opening plan of 100 stores remains unchanged. However, as I have already explained, we will create the store development department this fiscal year, and while our basic policy is to open stores in suburban areas, we intend to re-enter urban areas, thereby increasing the number of new stores to about 50 per year over the medium to long term.

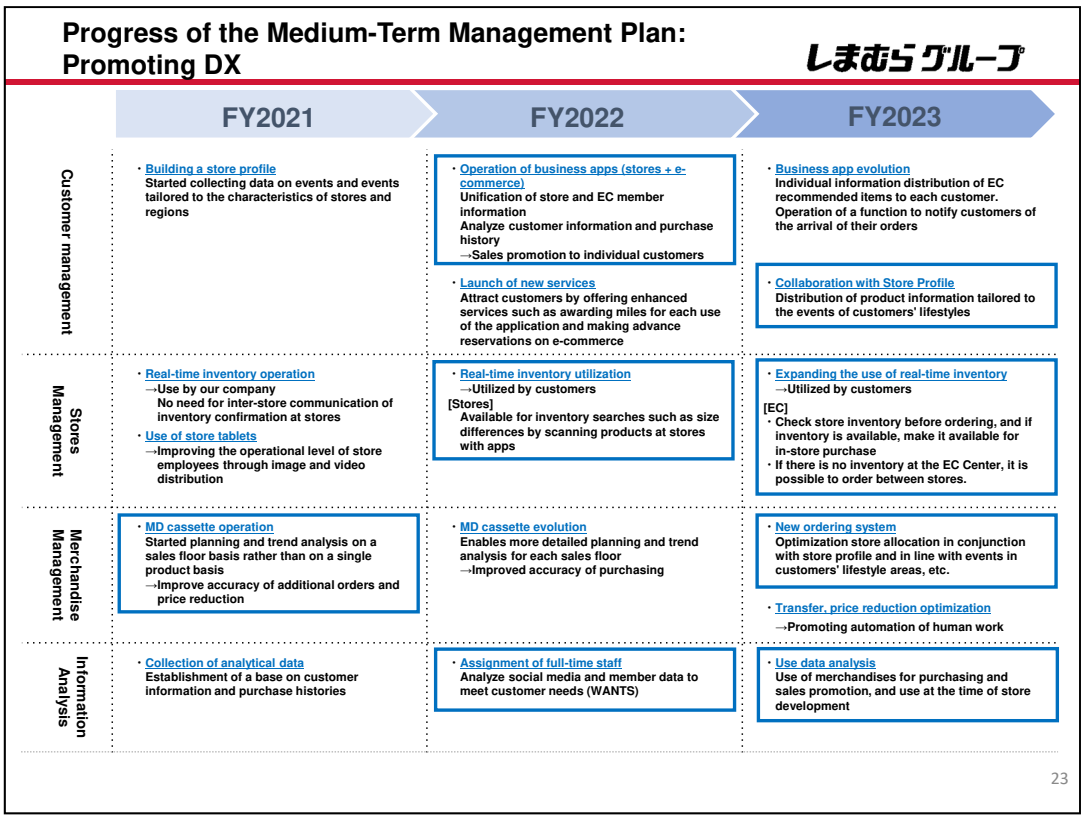


I will explain the progress of the Shimamura business in terms of product and sales policies. The table summarizes the three time frames: past, present, and future.

First, in terms of product policy, we will add "plus one" to our existing high sensitivity, high quality, and low prices. This plus-one applies to planned products such as influencer projects and character products in the previous period. From this fiscal year onward, the department in charge will collect a wide range of data through customer management systems and SNS analysis in order to gain a clear insight into customer's needs. This allows us to analyze products that are expected to sell well in the future more objectively than before and reflect this information in product planning and development.

In addition, the product assortment will be expanded to include more product categories. Focusing on product categories that have affinity with our customers, such as wellness and beauty-related products, we will aggressively challenge new product assortments and attract new customers, while also utilizing test sales through the online store.

In terms of sales policy, we will strengthen individual sales promotion using customer information. Currently, the number of new customers is increasing due to the enhancement of product appeal, sales power and the launch of the online store. We will also utilize the customer management system to be launched this fiscal year to strengthen sales promotions to individual customers and increase customer loyalty, leading to an increase in the number of fixed customers.



I will explain the status of DX promotion. The table summarizes the evolution and application of the four items by year time frame.

First, in customer management, we will launch an app for customers this fiscal year to centrally manage member information in stores and EC and strengthen sales promotions to individual customers. In the next fiscal year, we will also link with store profile information to recommend product which are related to neighborhood events such as school events to customers for each store.

In store management, the store inventory data was only available up to the previous day, but the real-time inventory management system was introduced in the previous fiscal year. This will allow customers to use the app to search store and EC inventory, preventing lost sales opportunities due to out of stocks.

In merchandise management, it enabled planning and trend analysis for each cassette unit on the sales floor, particularly for PB and JB from the previous fiscal year. The management systems have improved to track and analyze the accuracy of work for ordering additional hot sellers and price reduction of dead items.

In the next fiscal year, the product ordering system will be linked to store profiles to enable product ordering and inter-store transfers based on each store's requests and events.

Finally, there is information analysis. In order to respond to customer needs, we will analyze customer management information, store profiles, SNS, and other data and use them for product and store development.

Progress of the Medium-Term Management Plan: Approach to ESG Issues ①

しまむらグループ

- Our management mission is to create a "good company.
  Promoting sustainable "Shimamura-style ESG" through our core business

	Eliminate wasteful garbage	Reduce plastic waste	Develop environment-friendly products and materials	
Numerical targets (FY2/2024)	Product disposal: Zero (Note 1)	Complete recycling ratio: 60% (Note 2)	Product purchase ratio: 20% (Note 3)	Usage ratio for auxiliary materials: 100% (Note 3)

(Note 1) Shimamura has currently achieved zero product disposal. We will continue these initiatives in the future.

(Note 2) We aim to achieve a complete recycling ratio of 60% from among designated color hangers for Shimamura and Birthday brands that are collected and recycled at the time of payment. (Normal recycling is used for the remaining 40%.)

(Note 3) PB CLOSSHI and Trade Department PB products

	Promote diversity		Number of non-implemented principles of the Corporate Governance Code
Numerical targets (FY2/2024)	Ratio of female managers: 20% (Note 1)	Employment ratio of people with disabilities: 5%	Zero

(Note 1) Ratio of female managers in the senior class and above

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I will explain our progress in addressing ESG issues.

The figures you see are the targets we have set as our medium-term management plan. There are no changes to the plan, and we will continue to work toward this goal in the current fiscal year.

Progress of the Medium-Term Management Plan: Approach to ESG Issues ②

しまむらグループ

Structure to approach to ESG issues and its progress (Environment)

① Structure to approach to ESG issues: Three teams are organized by theme. Hold monthly meetings with participation of board members.
Departmental response ⇒ Related departments are now working together to address the issue.

② Environmental measures: Fully recycled hangers now account for 35.6% of the total

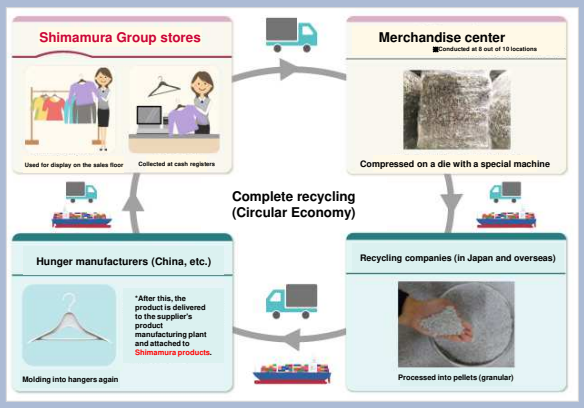
▼ESG Promotion Structure (3 teams)

① Recycling Promotion Team
▼Promote reduce & recycle of delivery materials, equipment and supplies used in stores and head office

② Environmentally friendly products and secondary materials development team
▼Promote human rights considerations and CO2 reduction in the supply chain, and expand use of environmentally friendly products and secondary materials.

③ Diversity Promotion Team
▼Promote women's activities, employment of people with disabilities, and work-wife balance

▼Complete recycling of hangers



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Let me explain our ESG promotion structure.

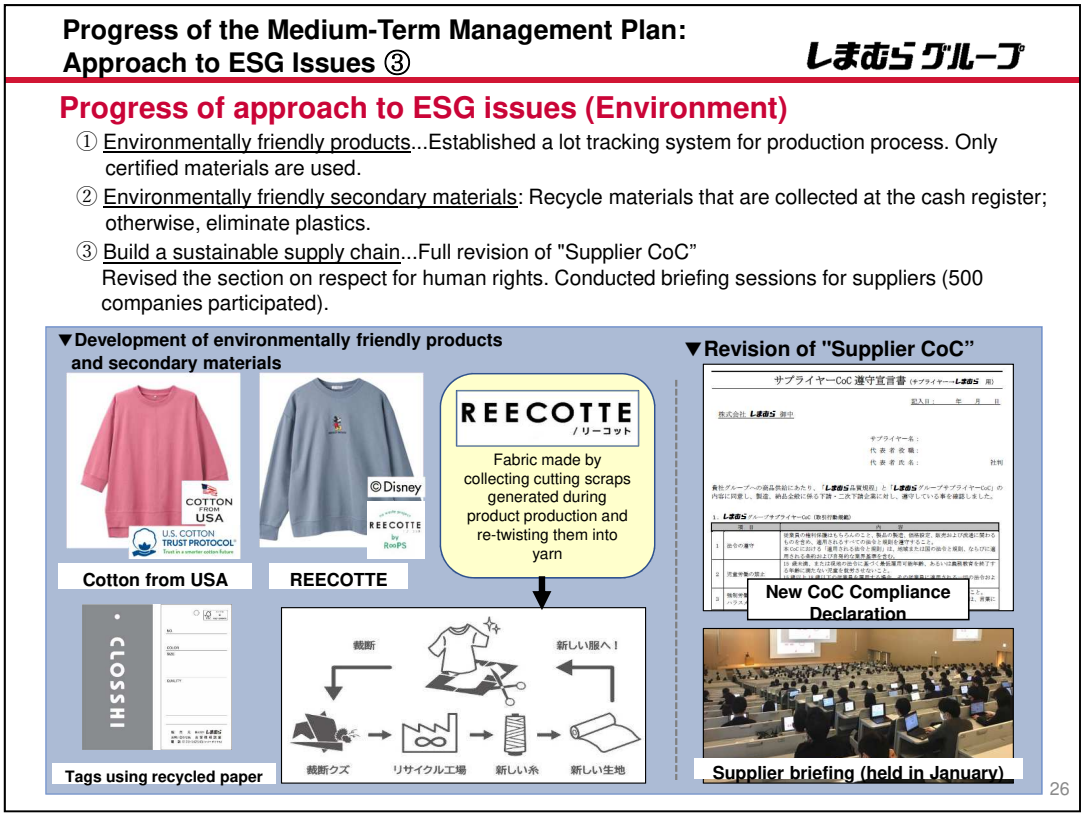
Beginning in FY2021, three teams were organized by theme, with regular monthly meetings to report progress on issues and raise concerns. Each team is headed by an executive officer, with the relevant department general manager as members. Progress is managed by the planning section, the ESG response department, and activities are reported monthly to the President.

In addition, regular reports are made at board meetings, store manager meetings, and merchandise department meetings to ensure that ESG progress is shared by all board members and employees.

I'd like to explain our efforts and progress in addressing environmental issues.

First, the recycling team focused on the complete recycling of hangers to reduce the amount of waste generated in the stores. Specific measures included expanding the number of stores conducting hanger collection, unifying hanger materials within the Group, and expanding domestic recycling routes.

As a result, recycled hangers accounted for 35.6% of all hangers at the time of delivery, a significant increase from 14.6% in the previous fiscal year. Going forward, we will continue to promote recycling with the mid-term target of 60% of hangers being fully recyclable, while also working to promote reducing the amount of materials used themselves.



“The environment-conscious products and secondary materials development team” determined definitions and operational methods related to environmentally conscious products and secondary materials in order to promote sustainable procurement of products.

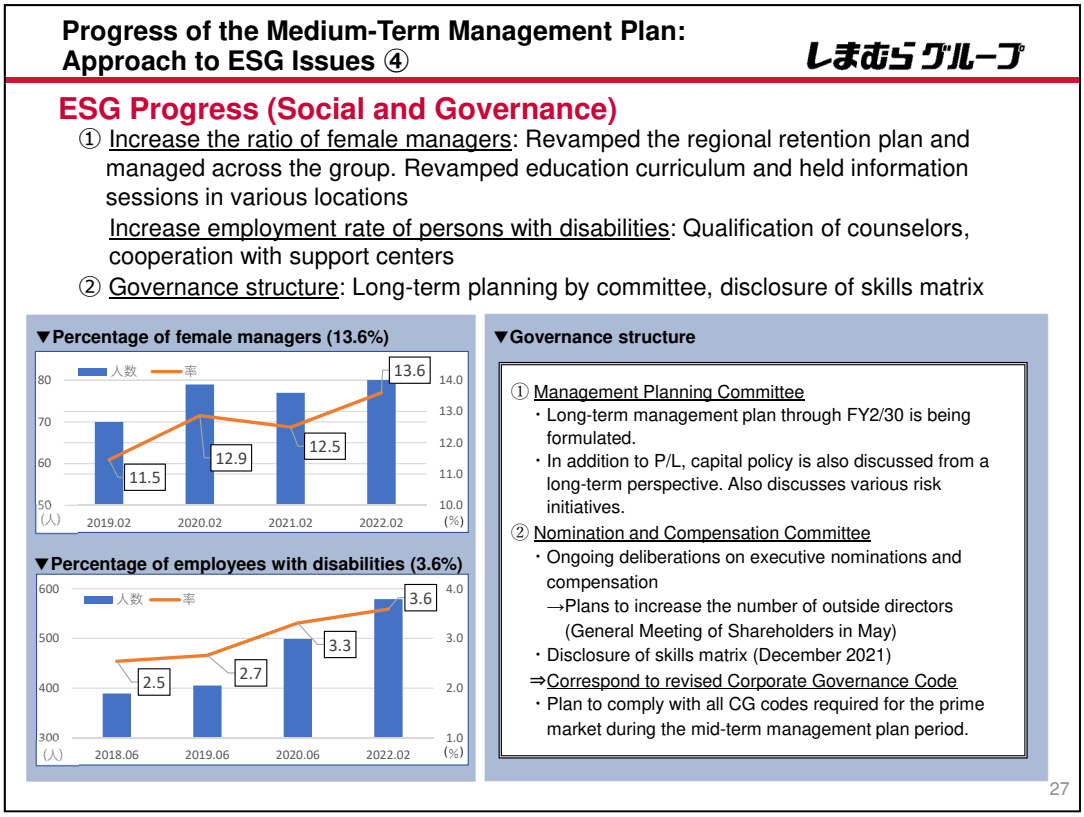
For environmentally friendly products, we ensure traceability from upstream to downstream of production, and the materials we use are approved by international certification organizations or our merchandise department.

In addition, environment-friendly secondary materials that are removed and collected at the cash register are made of recyclable materials, while other secondary materials that customers take home are de-plasticized and made of sustainable materials.

In addition, we and our suppliers are working together to respect human rights at production sites in order to build a sustainable supply chain. As a specific response, “the Shimamura Supplier CoC”, “Code of Contact”, and “Code of Business Conduct”, which had been in operation for some time, were completely revised, and the regulations regarding respect for human rights were significantly revised.

Furthermore, in order to enhance the effectiveness of the Code of Business Conduct at production sites, we held a briefing session for suppliers in January to explain how to check the labor environment and human rights violations at production sites.

The supplier then checks the production site directly, confirms that there are no problems, and submits a “CoC compliance declaration” to us. This declaration will be submitted by all suppliers by May of this year.



“The diversity promotion team” worked to promote the advancement of women among employees and expand employment of people with disabilities.

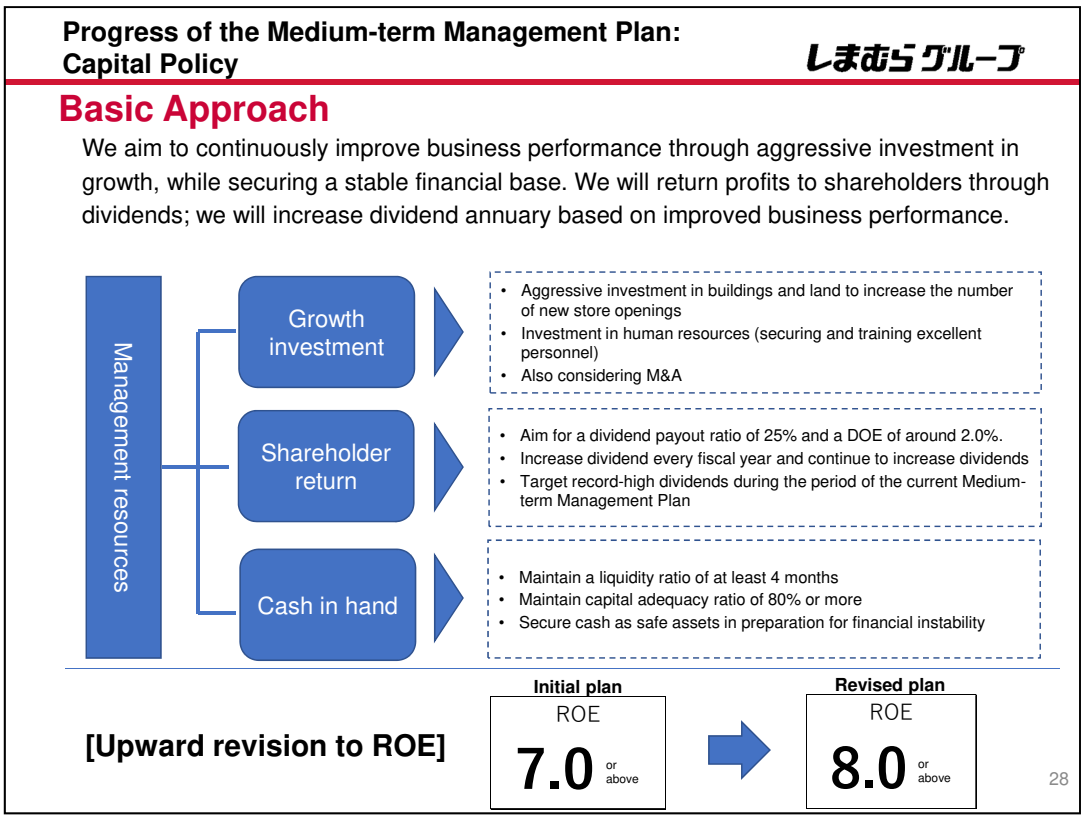
In order to increase the ratio of female managers, we have revised the personnel plan for store managers and block managers by region to a medium- to long-term, Group-wide plan and have also substantially revised the training curriculum for store manager and block manager candidates.

In addition, we also held briefing sessions in various locations for part-timers who were interested in being promoted to a store manager, and used posters and internal newsletters to educate employees about the promotion of store manager and block manager. As a result, the ratio of female managers increased by 1.1 percentage points from the previous year to 13.6%.

To expand employment of persons with disabilities, we encouraged block managers to obtain certification as a “life counselor for persons with disabilities”, collaborated with local support centers, and developed in-house manuals on employment of persons with disabilities. As a result, the employment rate of persons with disabilities reached 3.6%, far exceeding the legally mandated rate of 2.3%.

Finally, in addressing governance, we effectively operated committees such as the Management Planning Committee and the Nomination and Compensation Committee. As a result, we have begun formulating a new long-term management plan ending in the fiscal year ending February 2030, and we have further deepened discussions on executive nominations and compensation, and disclosed a new skills matrix for executives.

Since we have moved to the prime market this fiscal year, we will continue to strengthen our governance system so that we can comply with all of the Corporate Governance Code revised last year.



I will explain about the capital policy.

We will secure a stable financial base and seek to continuously improve our business performance through aggressive growth investments. In addition, our basic policy is to return profits to shareholders through dividends, and we aim to continuously increase dividends through improved business performance.

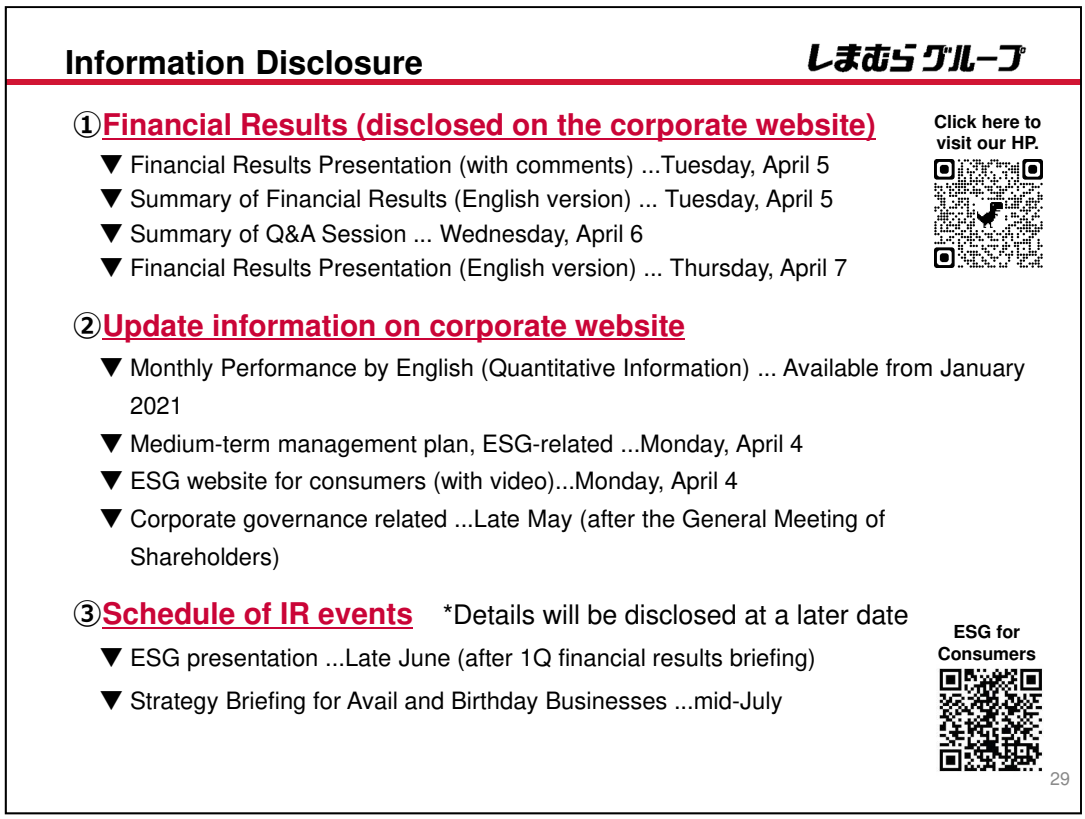
In the previous fiscal year, the Management Planning Committee also deliberated on capital policy. Although we are still in the process of deliberating, I will explain the future direction of the project at this time.

I would like to explain a breakdown of our capital policy. In growth investment, we will continue to invest in growth in our employees, our stores, and our transfer centers. For employees, we are planning a significant salary base increase this fiscal year and will also expand the budget related to education. We will continue to promote the securing of excellent human resources and the development of executives by expanding training and improving salaries and other benefits. For stores, we will focus on store development with a view of acquiring buildings and land as our own properties.

Our target for shareholder returns is a dividend payout ratio of 25% and DOE of 2%, with the goal of achieving a record-high dividend during the period of this medium-term management plan.

Finally, with regard to cash reserves, we will maintain sufficient cash reserves in case of temporary social or economic upheaval and maintain a high capital adequacy ratio to ensure stable business continuity.

With regard to ROE, the target of the medium-term management plan has been revised upward from 7% in the initial plan to 8%, aiming for higher capital efficiency.

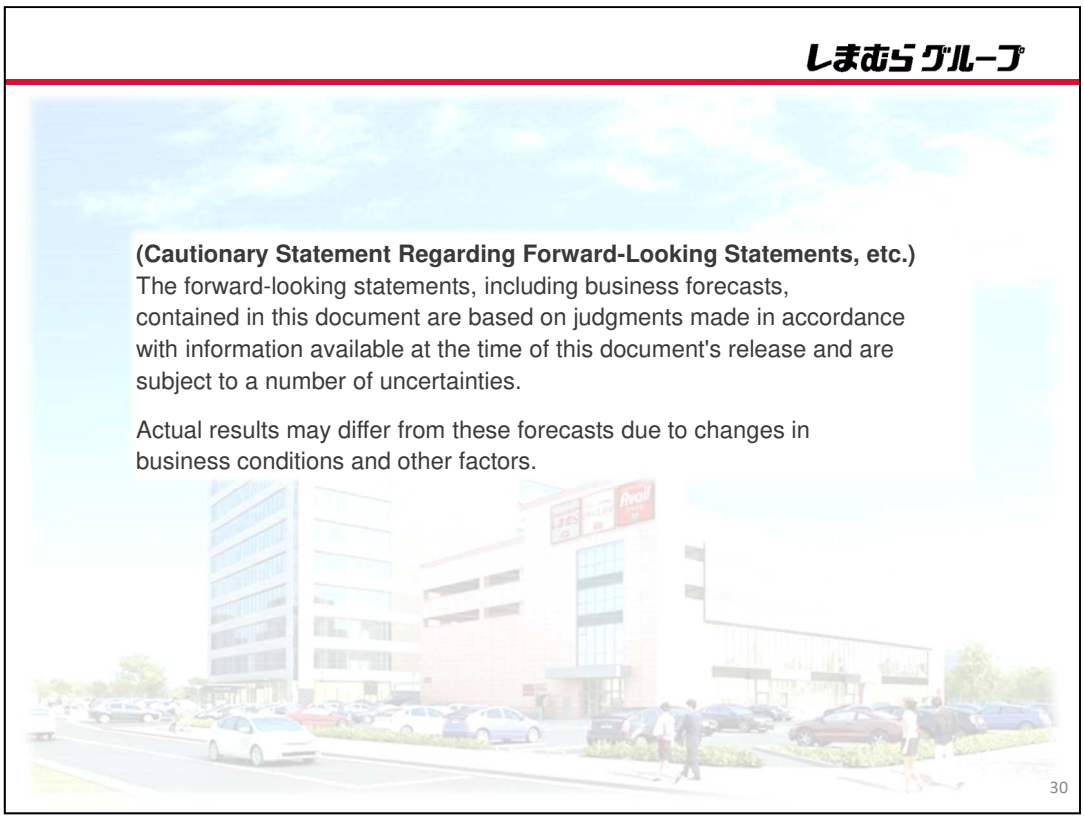


The schedule for updating financial results and corporate website information is as shown. The revised version of the financial results related materials and the medium- to long-term management plan, as well as the updated ESG-related pages, will be disclosed on the corporate website this week.

In relation to ESG, we will greatly enhance the pages of explanations, especially those related to supply chain and respect for human rights. We have also created a website for consumers explaining our ESG activities. Please find the QR code at the bottom right of this sheet.

Corporate governance-related information will be updated after the May shareholders' meeting.

As a new initiative, an IR event is planned for the second quarter. ESG briefings will be held in the form of a large meeting with separate time after the first quarter financial results briefing. In addition, business strategy briefings for Avail and Birthday will be conducted in a small meeting format. The planning section will contact you at a later date for further details.



This concludes the explanation of business results of SHIMAMURA, for the fiscal year ended February 2022 and the forecast for the fiscal year ending February 2023, as well as the progress of the medium-term management plan. Thank you very much for your attention.