

Long-Term Management Plan 2030

Bringing WAKUWAKU (excitement) to everyday life

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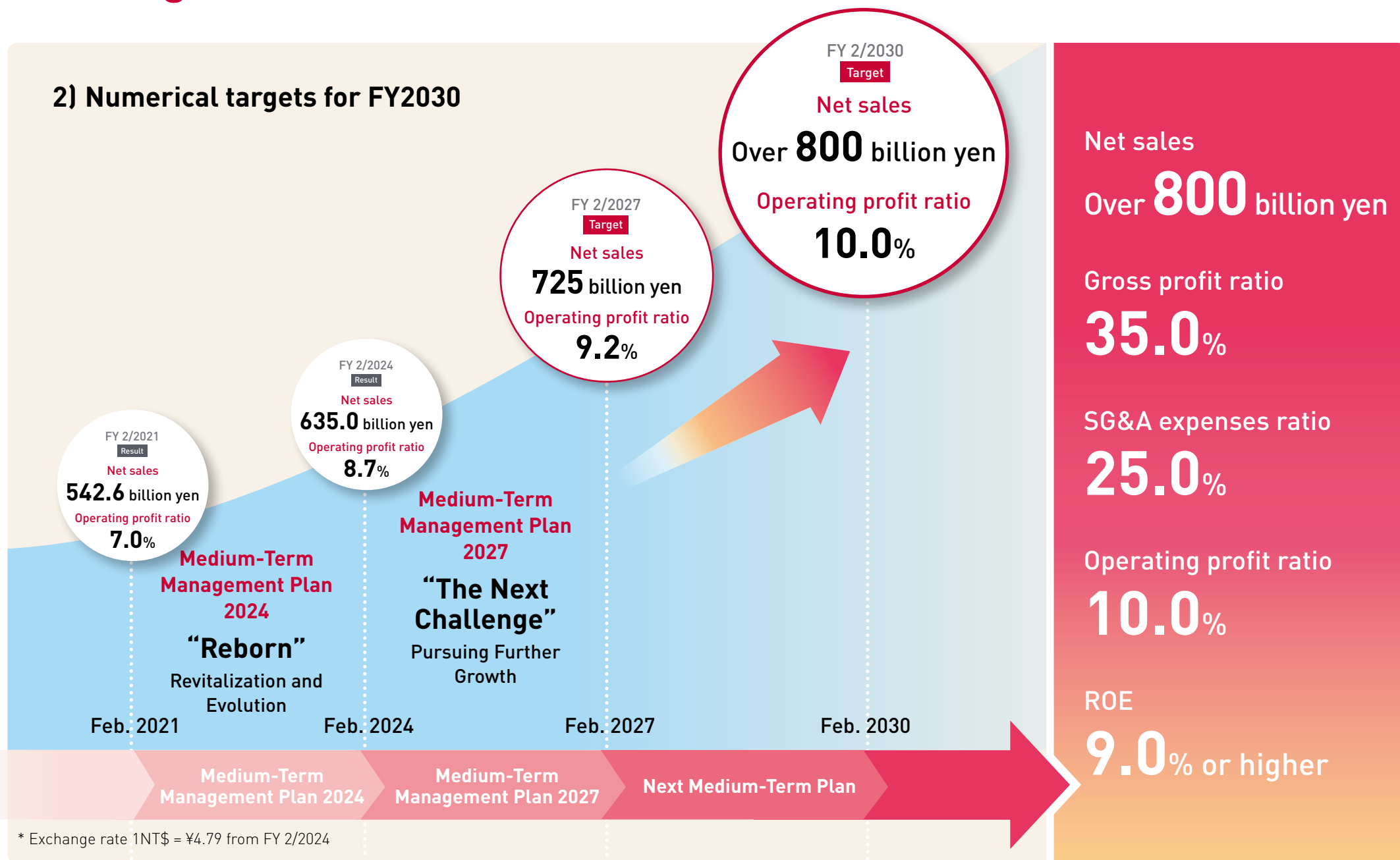
Long-Term Vision

1) Our ideal state



1 Long-Term Vision

2) Numerical targets for FY2030



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

External Environment

External environment surrounding the Company (megatrends)

Demographic Changes

Population drop (decrease of working age population)

Declining birthrates and aging population

Concentration of population in urban and depopulation of the countryside

Elevation of Interest in ESG and SDGs

Stricter regulations for environmental issues and human right issues

Expansion of ethical consumption

Higher awareness concerning sustainability

Changes in Consumption Behavior

Shift from purchase of goods to gaining experience

Diversification of hobbies and tastes

Smaller scale and shorter cycles of trends

Changes in the Global Environment

Globalization of production and markets

Increase of costs and risks concerning production and store opening

Rising population and economic growth in emerging countries

Development of Technology

Expansion of the e-commerce market

Changes in contact points with clients

Fusion of online and offline aspects



It is vital to build robust business foundations for adapting to rapid changes of the external business environment, which is highly volatile.

Internal Environment

Strengths and Weaknesses of the Company

Strengths

High product appeal
(high sensitivity, high quality, low prices)

High sales power
(the trinity of products, selling space and sales promotion)

High profitability based on low-cost operation

Abundant human resources and in-house training systems

Stable supply of products owing to a robust supply chain

Abundant capital and high capital adequacy ratio

Dominant store network and our own logistics network

Weaknesses

Insufficient in-house product development and planning capabilities

Insufficient utilization of digital technologies

Insufficient e-commerce and global expansion

Insufficient store expansion in urban

Variation in profit level depending on business

Measures for Realizing the Long-Term Vision

1) Three main measures and capital policies

Three Measures for Realizing the Long-Term Vision

Growth Strategies

Business Portfolio Reconstruction	Growth of existing businesses, cultivation of new businesses
Elevation of Sales in Existing Stores	Stable and continuous growth in each term
Product Strategy, Sales Strategy	<ul style="list-style-type: none"> Evolution of the company brands Reinforcement of the product lineup to improve store performance (line robbing) Reconstruction of the supply chain Upgrade of display, production and sales promotion technologies
Strategy for Store Opening	<ul style="list-style-type: none"> Proactive store opening, reinforcement of store opening in urban Promotion of store relocation and renovation
Expansion of the E-commerce Business	Expansion of e-commerce within Japan and venture into overseas e-commerce

Reinforcement of the Business Base and Foundations

HR Strategy	<ul style="list-style-type: none"> Better response to labor shortage Reform and improvement of the remuneration system Improvement of work systems and the working environment Improvement and evolution of the educational system
Promotion of Digitalization	<ul style="list-style-type: none"> Accumulation and utilization of data To utilize the data in product development, store opening, and sales promotion Streamlining of operations based on DX
Reconstruction of the Logistics Network	<ul style="list-style-type: none"> Establishment of new transfer centers Relocation of existing transfer centers

Initiatives to Solve ESG Issues

Environment Initiatives	<ul style="list-style-type: none"> To reduce plastic waste Expansion of sustainable products Environment-friendly supply chain
Society Initiatives	<ul style="list-style-type: none"> To promote diversity Supply chain considerate to human rights Enhancement of roles of the clothing infrastructure
Governance Advancement	<ul style="list-style-type: none"> Promotion of debate over the growth strategies and capital policy Ensuring diversity and appropriate scale of the Board of Directors Fostering of successors

Capital Policies

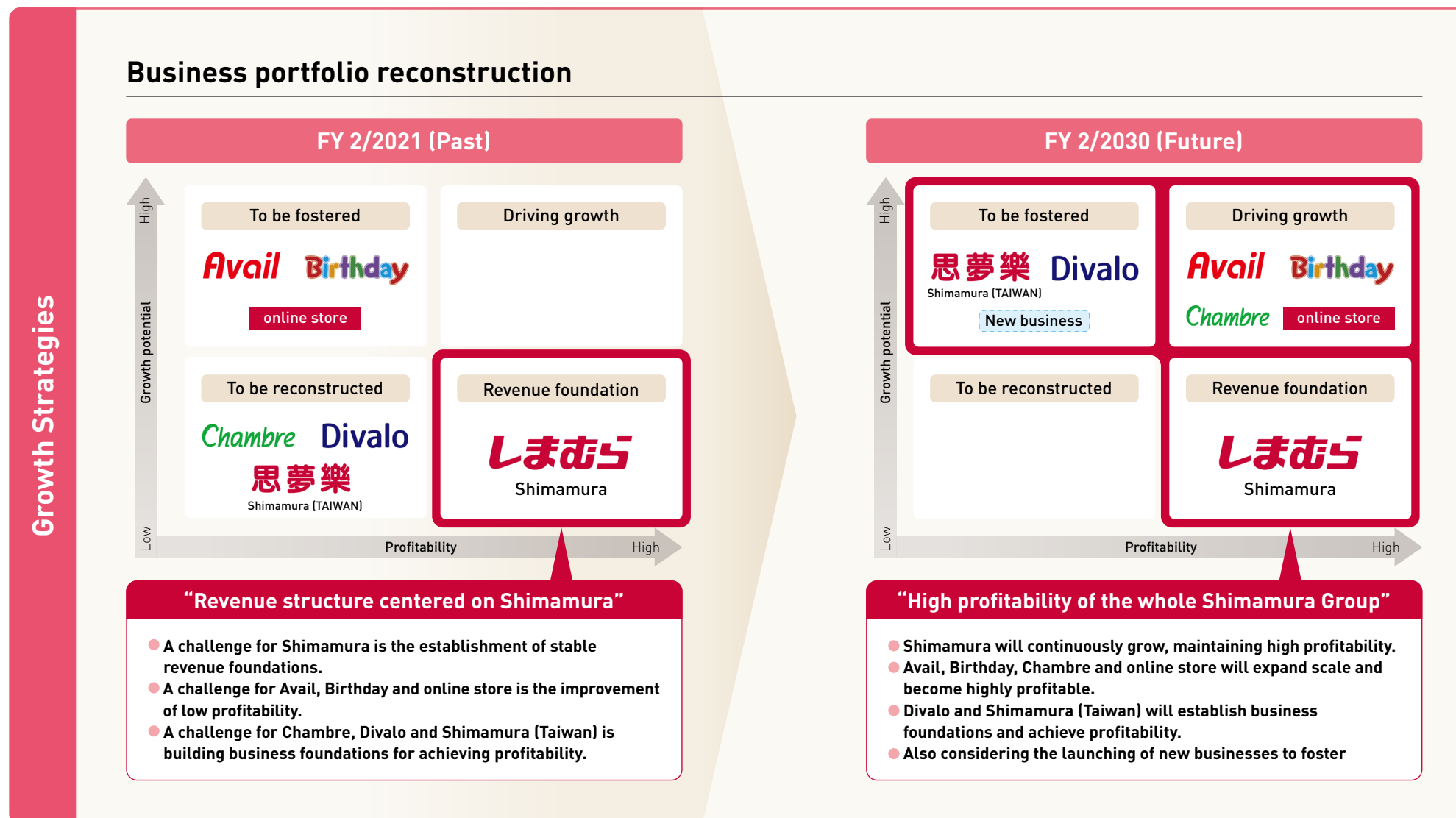
Growth Investment	<ul style="list-style-type: none"> Continuous investment in business scale expansion Store opening and renovation, establishment of transfer centers Development of new businesses, securing and training of staff
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Shareholder Returns	<ul style="list-style-type: none"> Long-term, stable returns as the basis Continuous dividend increase based on performance improvement Revision of the return policy in each medium-term plan
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Internal Reserves	<ul style="list-style-type: none"> To maintain reasonable internal reserves to cope with risks To secure funds on hand for flexible response
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4 Measures for Realizing the Long-Term Vision

2) Growth strategies

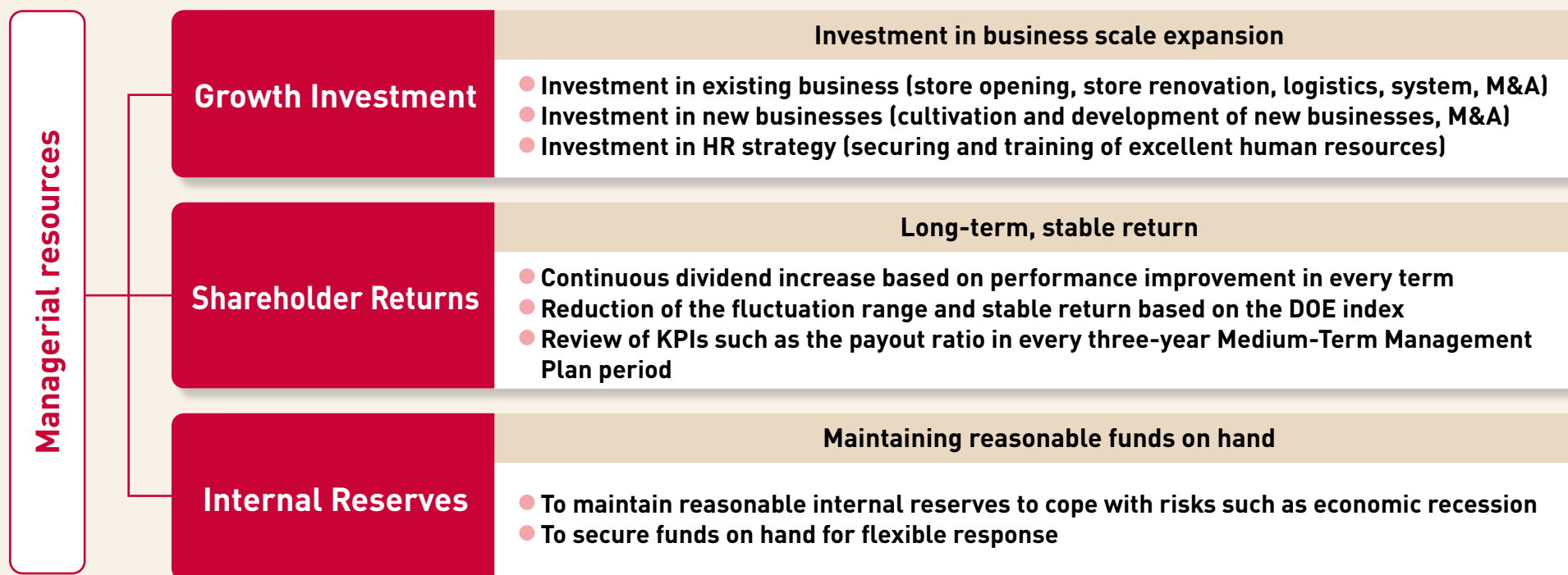


4 Measures for Realizing the Long-Term Vision

3) Capital policies

Basic Policy

- ▶ The Shimamura Group will work toward continuous improvement of performance through proactive investment for growth while ensuring stable financial foundations.
- ▶ Return to shareholders is generally provided in dividends, which will be continuously increased every term based on performance improvement.



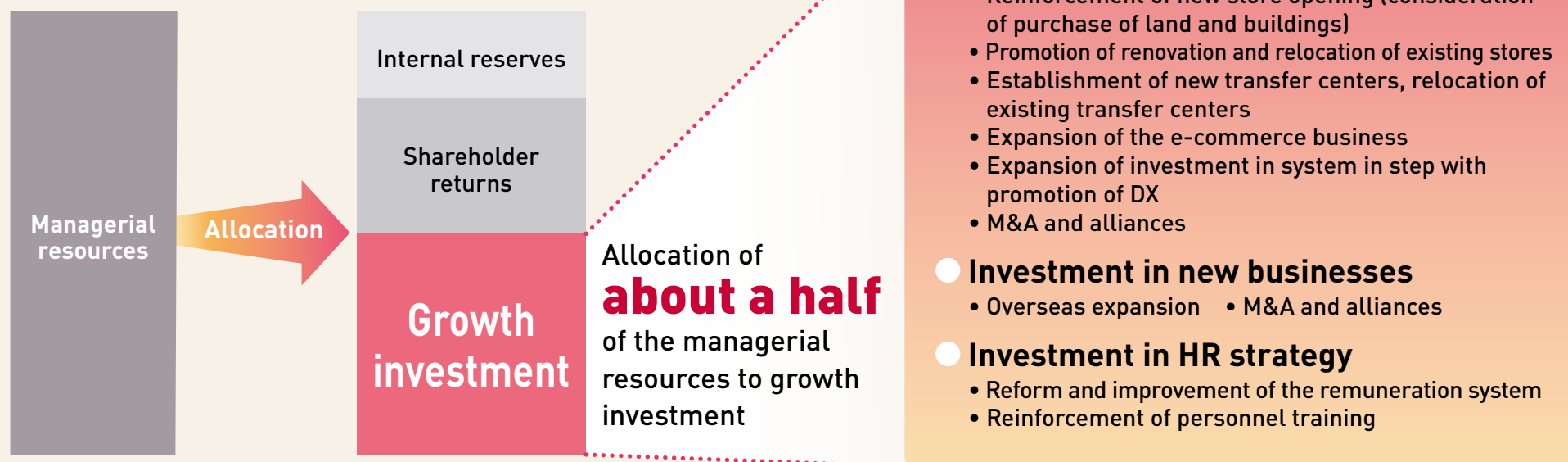
4 Measures for Realizing the Long-Term Vision

3) Capital policies

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.

Policy for allocation of managerial resources



* Allocation ratio in the chart is for illustration purposes.

4 Measures for Realizing the Long-Term Vision

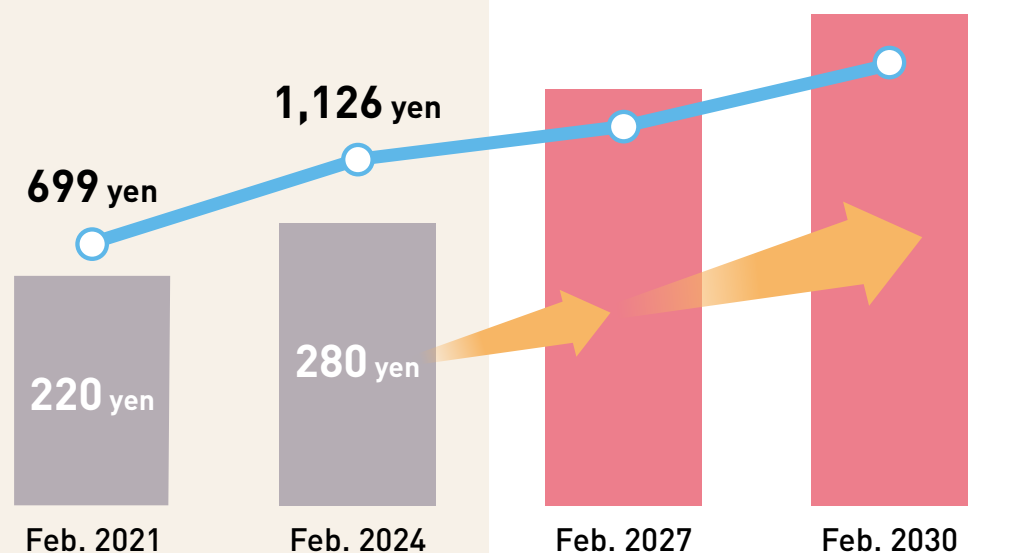
3) Capital policies

Shareholder Returns Policies

- ▶ The basis lies in continuous increase of dividends by elevating performance every term and stable return to shareholders.
- ▶ We will ensure stable return even in event of temporary performance fluctuations by adopting DOE as an index.

Dividends and EPS

■ Dividends ○ EPS



* Pre stock split dividends and EPS amounts

KPI (Feb. 2021 to Feb. 2024)

Dividend payout ratio

Approx. **25.0%**

DOE

Approx. **2.0%**



KPI (Feb. 2024 to Feb. 2027)

Dividend payout ratio

Approx. **35.0%**

DOE

Approx. **3.0%**

We will adequately review KPIs in every three-year Medium-Term Management Plan period in step with changes in the capital market.

4 Measures for Realizing the Long-Term Vision

3) Capital policies

Internal Reserves Policies

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

Liquidity-on-hand ratio

Approx. **4 months**

Funds on hand will be effectively utilized to achieve continuous growth, striking a balance of growth investment, shareholder returns and internal reserves.

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 of “creating a good company” for all stakeholders.
- ▶ To achieve sustainable long-term growth, we will avoid pursuit of excessive short-term profit in favor of suitable return on capital, guided by the premise of maintaining capital returns that exceed capital costs.

ROE

9.0% or higher

Capital adequacy ratio

Over **80%**