

Medium-Term Management Plan 2027

The Next Challenge—Pursuing Growth

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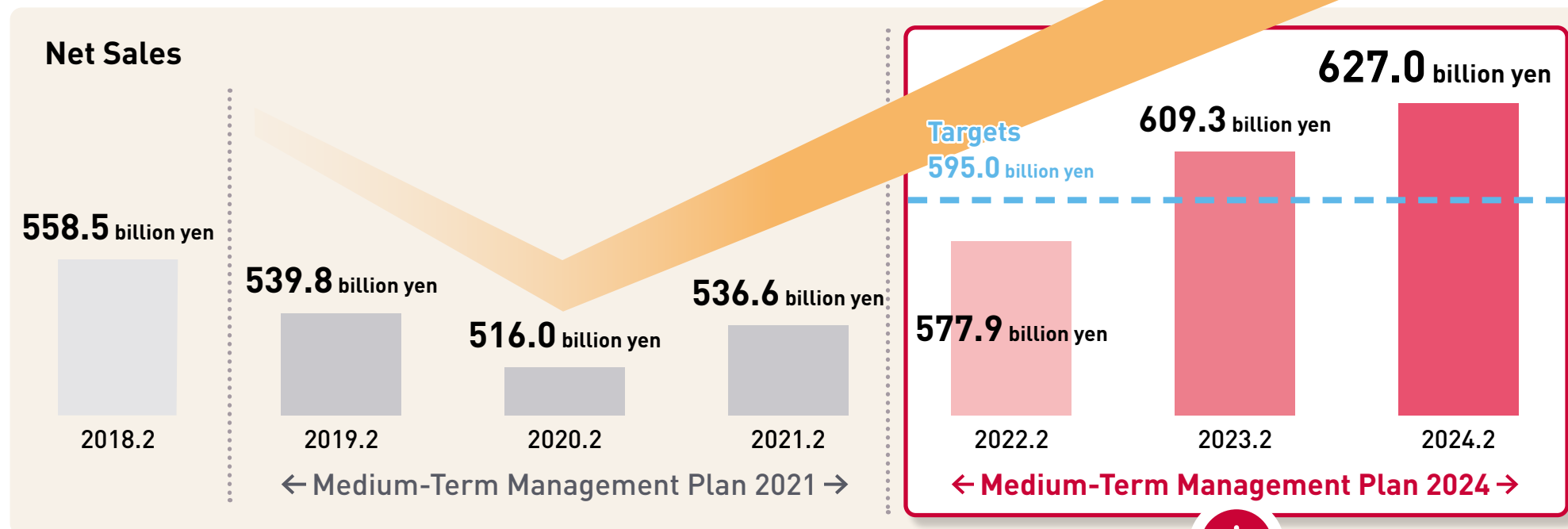
Domestic Results

Assessment of KPIs

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

Domestic Results

Assessment of Net Sales



Positives

Domestic sales targets reached one year ahead of schedule

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

Negatives

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

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

Net sales

627.0
billion yen

Targets

595.0
billion yen

Target achievement ratio

105.4%

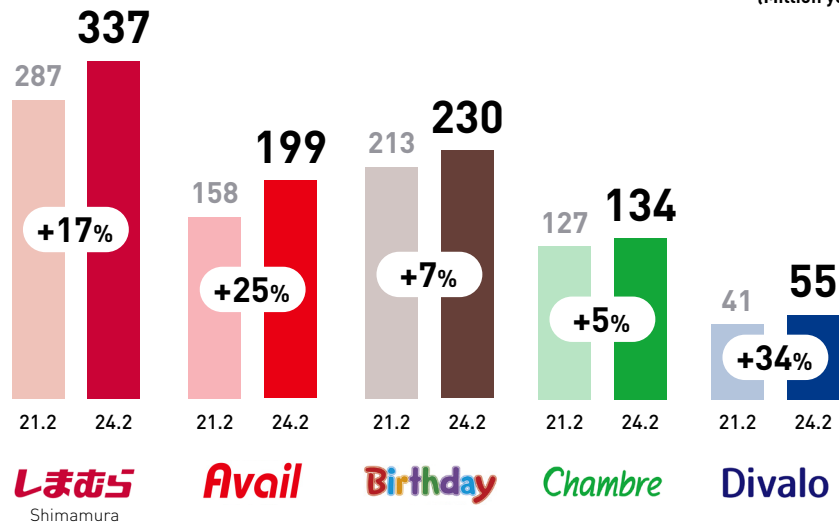
Domestic Results

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

Net Sales Per Existing Store

Net sales per existing store increased across all businesses

(Million yen)

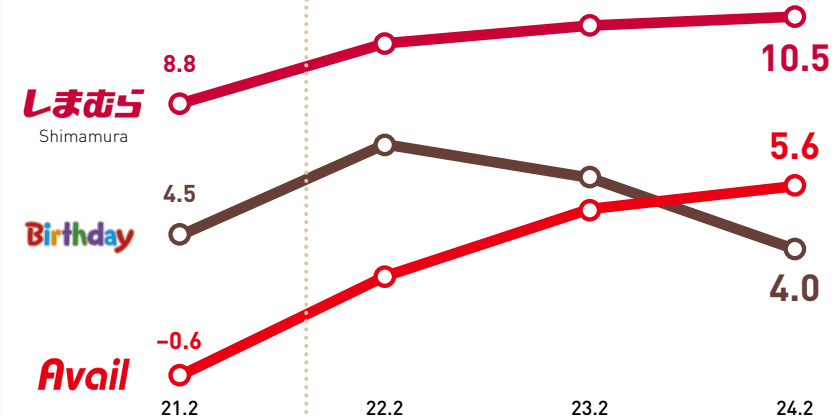


Growth among existing stores will lay foundation for expanding scale of operations

Operating Income Margin

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

(%)



Medium-Term Management Plan 2024

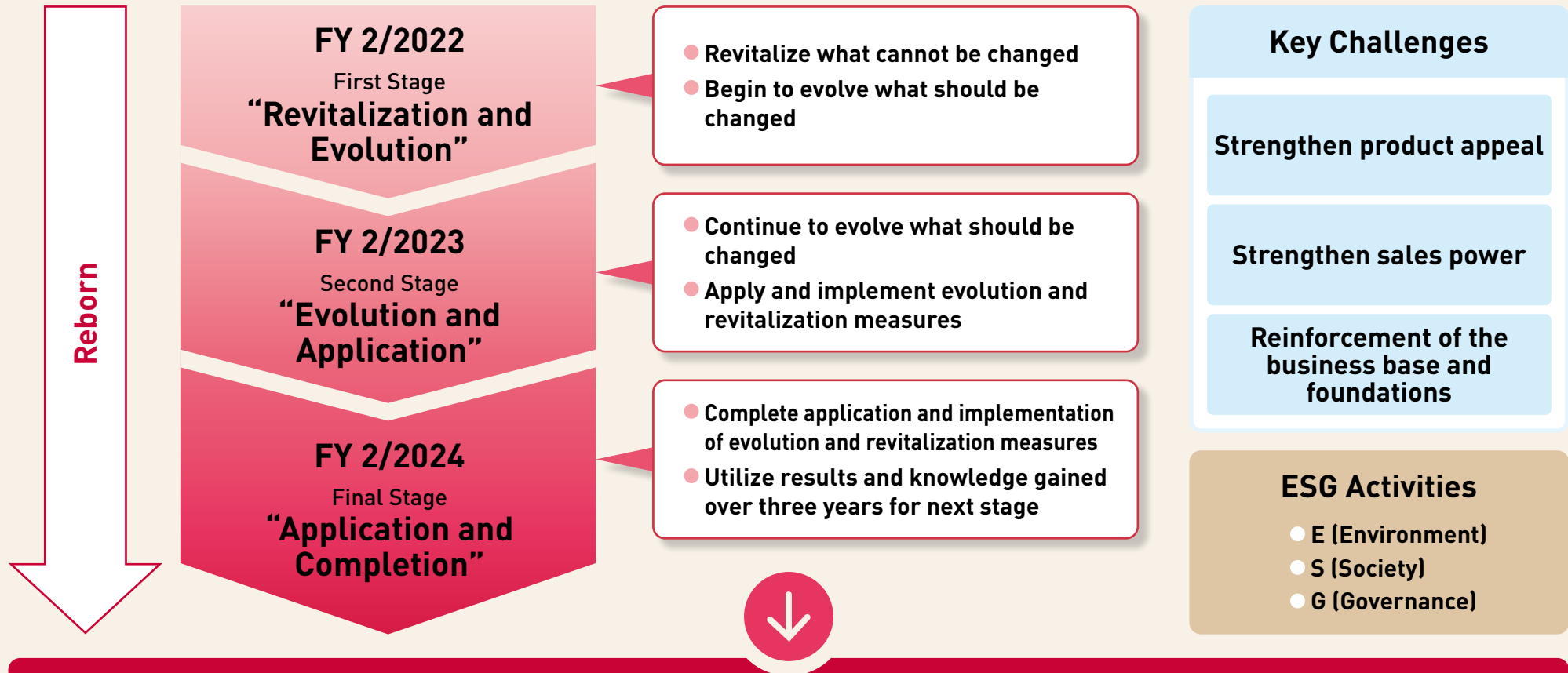
Operating income for each business is calculated by dividing head office and distribution center expenses proportionally



Avail and Birthday face issues with further improving profitability

Basic Policy

Basic Policy



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

Basic Policy

Efforts to Address Key Challenges

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

ESG Activities

Assessment of ESG Activities

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

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

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

ESG Activities

Evaluation of ESG Activities by External Parties

▶ Listed on four of six ESG indexes adopted by GPIF

Listed on following ESG indexes

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

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

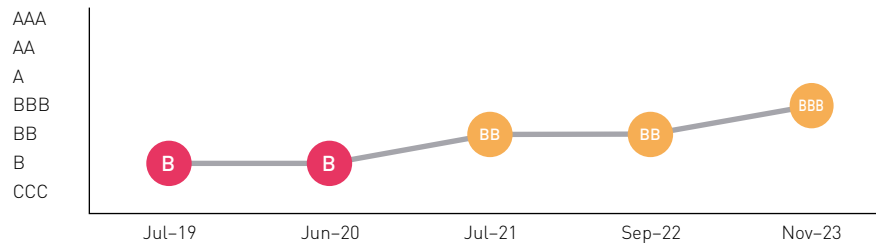


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About MSCI ESG Ratings

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

ESG Ratings



Positives

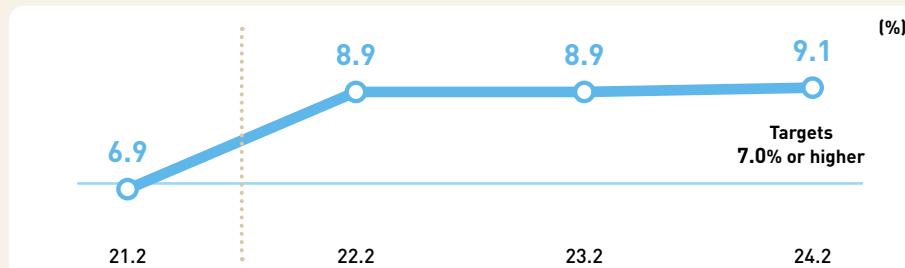
Future Challenges

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

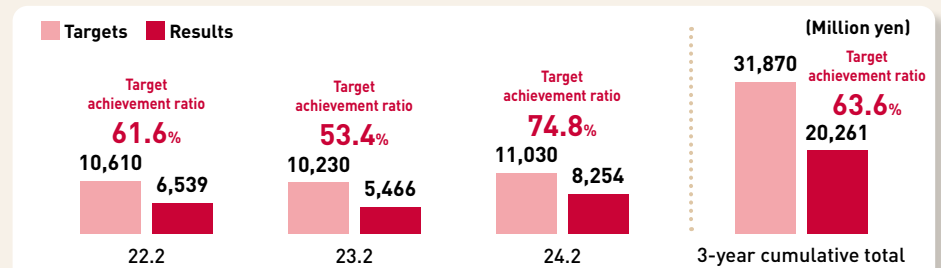
Capital Policy

Assessment of Capital Policy

ROE

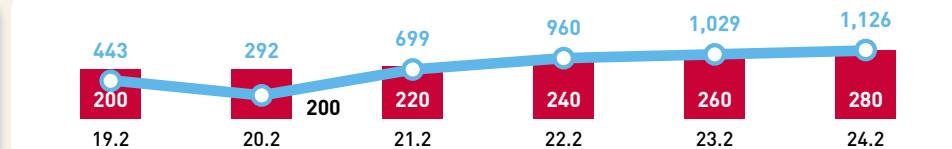


Capital Investment Targets and Results



Dividends and Earnings Per Share (EPS)

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



* Pre stock split dividends and EPS amounts

Return on Capital

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

Allocation of Managerial Resources

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

Challenges for the Next Medium-Term Management Plan

Major Challenges in the Next Medium-Term Management Plan

▶ Reconstructing Our Business Portfolio

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

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

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

▶ Improving Our Capital Policy

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

▶ Implementing ESG Initiatives

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

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Next Challenge



Risk Identification for Medium-Term Management Plan 2027

Redefining Risks

Redefining Risks

In the formulation of Medium-Term Management Plan 2027, risks were defined as factors that could hinder the achievement of goals and were subsequently discussed by the Board of Directors

- 1 Risks that could affect corporate activities are separated into three categories: external risks, business activity risks, and management infrastructure risks
- 2 In order to prioritize our risk response, we have ranked risks from S (highest) to D (lowest) according to their likelihood of occurrence and their impact on business plans



Highest Priority Risks (S/A rank)



Risk Response

External Risks

- Abnormal weather
- Domestic population decline, declining birthrate, aging population
- Rising prices of energy and raw materials
- Rapidly fluctuating exchange rates
- Intentional threats (cyberattacks, unauthorized access, etc.)

Business Activity Risks

- Insufficient number of new store openings
- Decrease in number of existing stores caused by expired contracts
- Increase in purchasing costs
- Delays in response to changing market demands
- Decrease in product quality
- Insufficient capacity at Transfer Centers
- Increase in delivery costs
- Facility breakdown and aging
- Decrease in productivity caused by increase in work

Management Infrastructure Risks

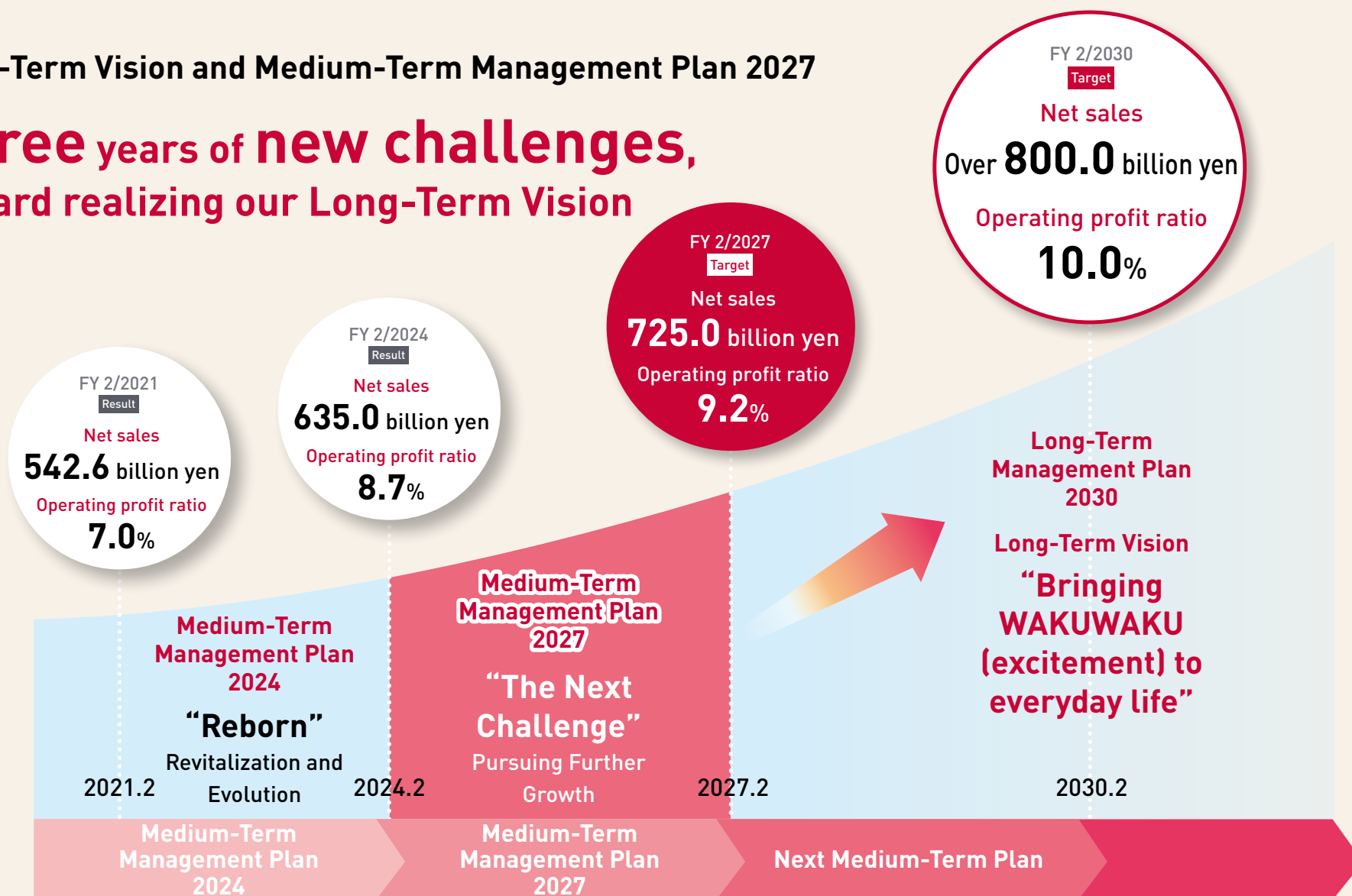
- Delays in changes to strategy and portfolio
- Damage to corporate image caused by rumors, media reports, etc.
- Labor shortages
- Lack of human resources
- Delays in addressing workstyle reforms
- Delays in cultivating successors
- Deterioration of organizational communication
- Delays in addressing ESG issues
- Aging system infrastructure

Risk management is positioned as an important management issue. Accordingly, each department will work to prevent and mitigate risks under the business strategy of Medium-Term Management Plan 2027.

Positioning of Medium-Term Management Plan 2027

Long-Term Vision and Medium-Term Management Plan 2027

Three years of new challenges,
toward realizing our Long-Term Vision



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

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Growth Strategy

Reinforcement of the Business Base and Foundation

Promotion of ESG Activities

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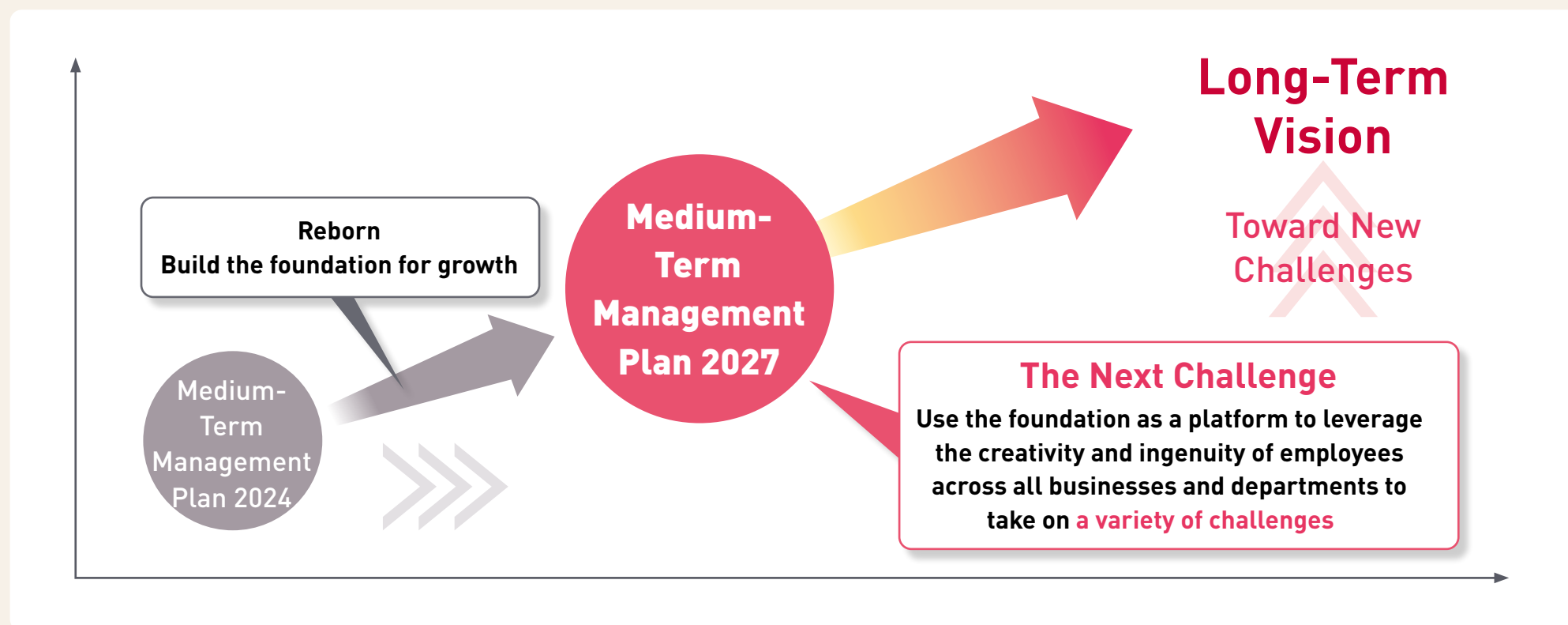


Basic Policy of Medium-Term Management Plan 2027

Basic policy

“The Next Challenge (Pursuing Further Growth)”

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

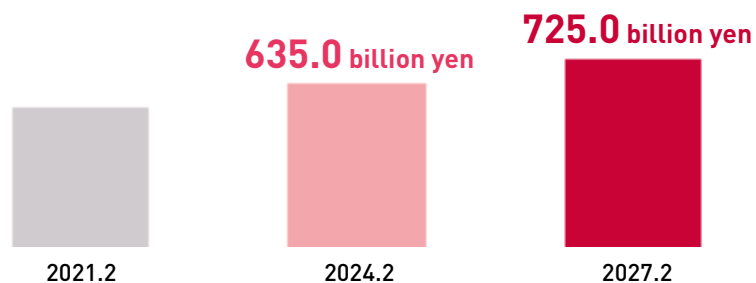


Numerical Targets

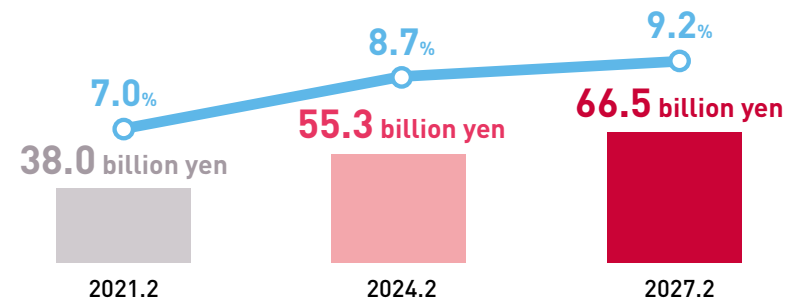
Numerical Targets (Consolidated)

	Medium-Term Management Plan 2024		Medium-Term Management Plan 2027
	FY 2/2021	FY 2/2024	FY 2/2027 (Targets)
Net sales	542.6 billion yen	635.0 billion yen	725.0 billion yen
Operating profit	38.0 billion yen	55.3 billion yen	66.5 billion yen
Operating profit ratio	7.0%	8.7%	9.2%
ROE	7.0%	8.8%	9.0% or higher
Domestic store openings (3-year period)	110 stores	89 stores	150 stores

Net Sales



Operating profit / Operating Profit Ratio

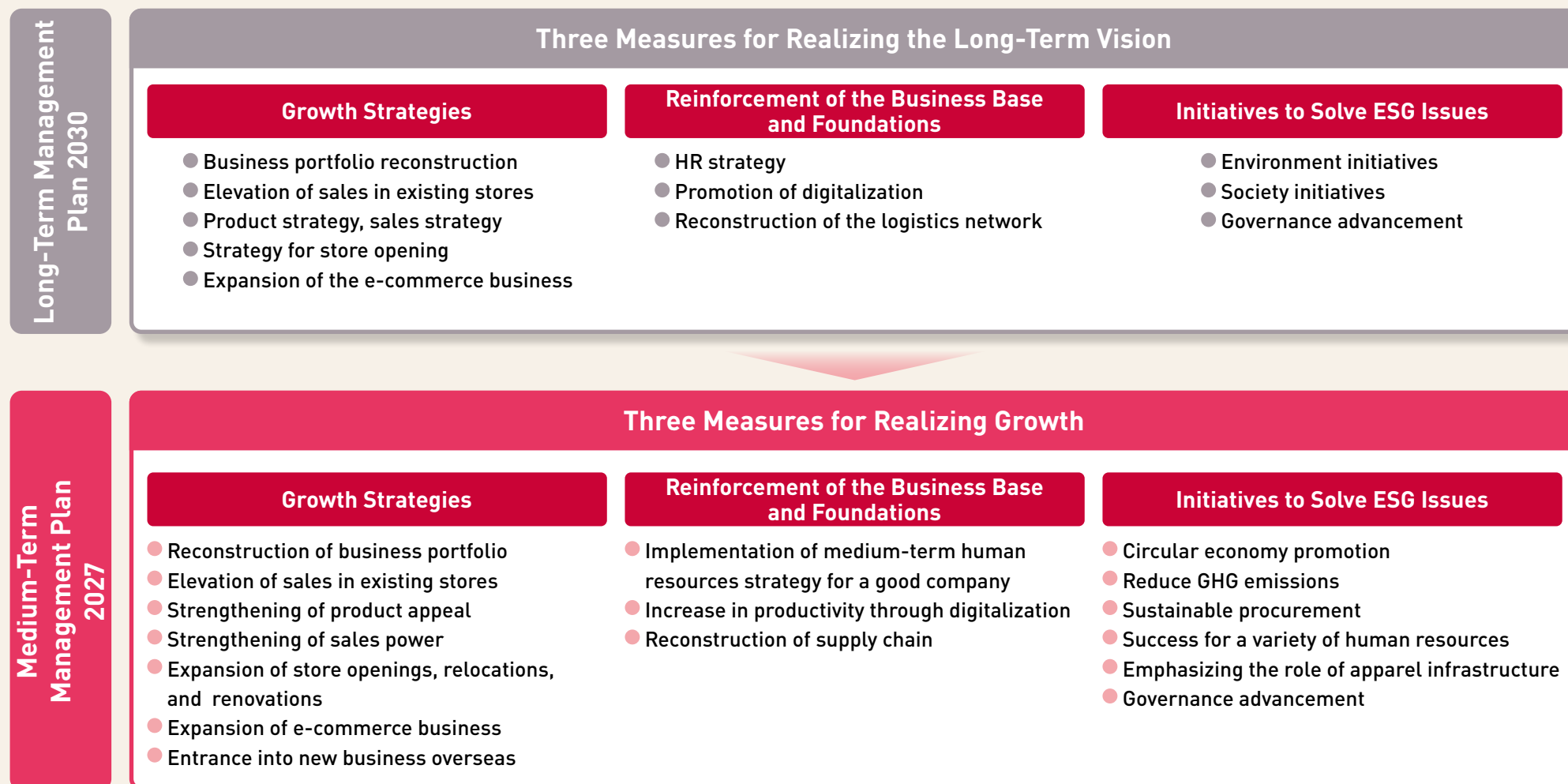


* Exchange rate 1NT\$ = ¥4.79 from FY 2/2024

Three Measures for Pursuing Growth

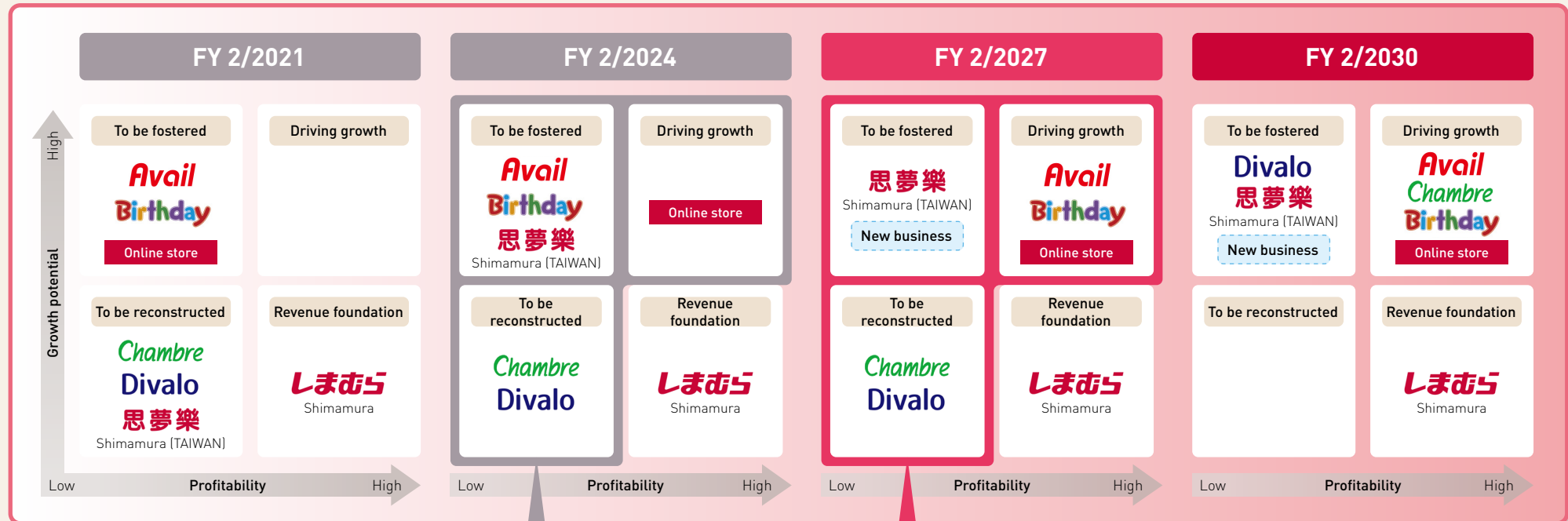
Overall Structure

▶ Three Measures Aimed at Realizing Our Long-Term Vision



Three Measures for Pursuing Growth

Growth Strategy—Reconstruction of Business Portfolio



FY 2/2024: Reconstruction of portfolio at intermediary stage

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

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

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

Three Measures for Pursuing Growth

Growth Strategy—Elevation of Sales in Existing Stores

Ongoing marketing polarization and withdrawal

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



Efforts to Increase Sales for Each Existing Store

- Strengthening product appeal: Broaden product lineup to expand range of target customers **P20**
- Strengthening sales power: Utilize customer management system to facilitate effective sales promotions **P21**
- Expansion of E-Commerce Business: Promote an Online Merges with Offline (OMO) strategy to expand mutual use of e-commerce and brick-and-mortar stores **P25**
- Expansion of Store Openings, Relocations, and Renovations: Relocate stores to expand regional shares and renovate to improve store loyalty **P22**

Three Measures for Pursuing Growth

Growth Strategy—Strengthening of Product Appeal

Increase Brand Power

Boost brand power and increase store loyalty

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

Expand Product Lineup

Broaden product lineup to expand range of customers

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

Enhance Product Development

Utilize more sophisticated data analysis to strengthen product development

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



Keyword search (Japanese only)

Initiatives for More Sophisticated Data Analysis (Market Research Department)

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

Three Measures for Pursuing Growth

Growth Strategy—Strengthening of Sales Power

Diversify Sales Promotion Methods

Previous Medium-Term
Management Plan (Prior to 2020)

Medium-Term Management Plan 2024

Medium-Term Management Plan 2027

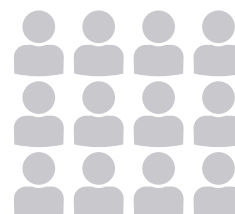
1 Mass marketing

1 Mass marketing

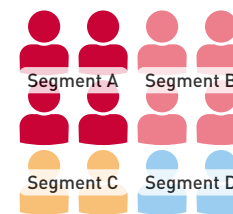
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2 Mass marketing by segment

1 Mass marketing

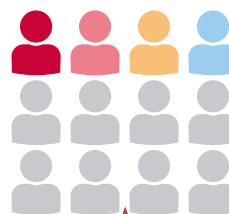


2 Mass marketing
by segment



+

3 Individualized
marketing



+

3 Measures to enable
individualized marketing

Customer
Management
System



- Gender
- Age
- Purchasing history



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

Improvement of store displays, presentation, and customer service skills

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

Three Measures for Pursuing Growth

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

Plans for Domestic Store Openings and Renovations

	Medium-Term Management Plan 2024 (Result)	Medium-Term Management Plan 2027 (Targets)
Number of store openings (3-year period)	89 stores	150 stores
Number of stores renovated (3-year period)	19 stores	250 stores

Key measures

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

PICKUP 1

PICKUP 2

PICKUP 3

PICKUP 4

Three Measures for Pursuing Growth

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

PICKUP 1

Ramp Up Store Openings in Urban Areas

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

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

Key points

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

PICKUP 2

Open Pop-Up Stores to Increase Awareness

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

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

Key points

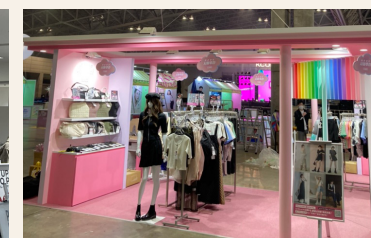
- Build Shimamura fanbase by opening stores in urban areas
- Direct customers from pop-up stores toward e-commerce



Hakata Bus Terminal store



Pop-up store at a department store



Pop-up stores at events

Three Measures for Pursuing Growth

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

PICKUP 3

Renovate to Improve Store Loyalty

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

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

Key points

- Improve store loyalty, which will increase sales, through improved shopping environments
- Reduce power consumption and CO₂ emissions by upgrading to latest energy-saving equipment
- FY 2/2024 results: Net sales increased by 5–12% after renovations

PICKUP 4

Relocate Stores to Optimize Dominant Strategy

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

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

Key points

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

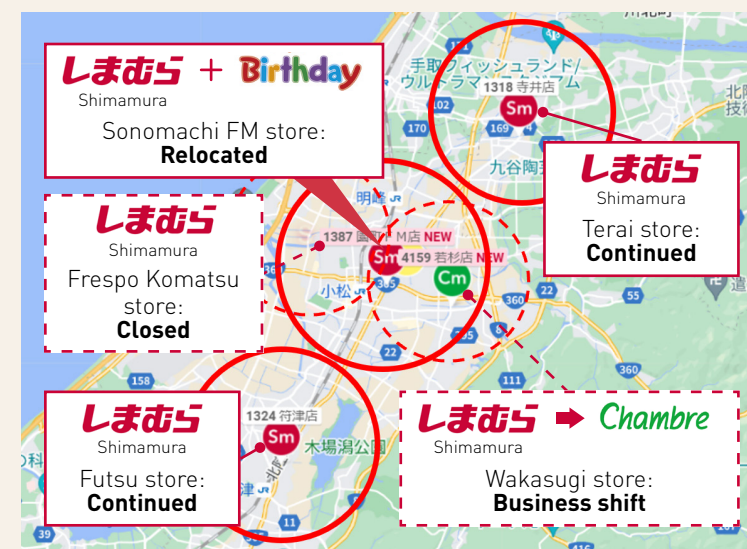
Latest LED lighting

Updated air conditioners



Brightly colored sales floor walls

Interior renovations

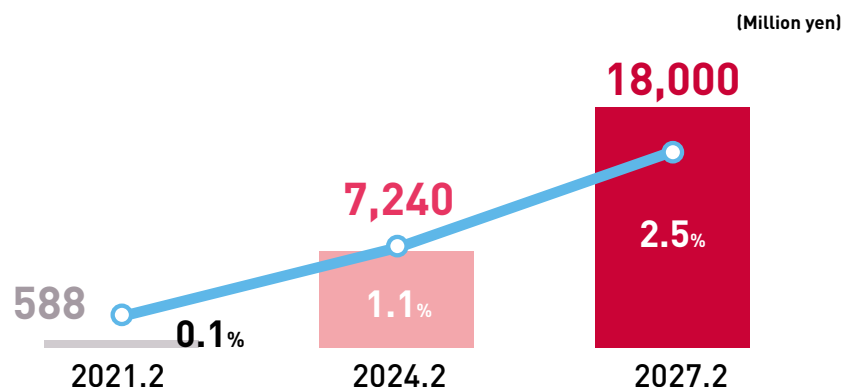


Past example: Maintained total sales while consolidating Shimamura business from 4 stores to 3

Three Measures for Pursuing Growth

Growth Strategy—Expansion of E-Commerce Business

E-Commerce Net Sales and Ratio



Product Strategy

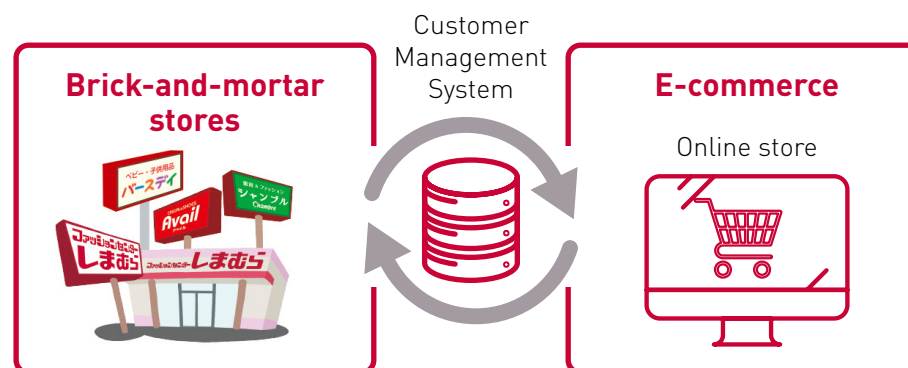
- Increase range of planned product appeal exclusive to e-commerce
Discover new influencer products, character products, etc.
- Expand handling of products that complement store lineups
Due to space limitations, brick-and-mortar stores cannot handle large items such as Hina dolls and irregular clothing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

Promotion of OMO Strategy

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

Utilization of Customer Management System

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



Three Measures for Pursuing Growth

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

E-commerce to date: Operated by individual stores

E-commerce sites operated by each business segment



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

Operate a unified e-commerce site for the Shimamura Group



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

Other Initiatives



Increase the efficiency of e-commerce logistics

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



Improve convenience of in-store payments

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



Business-to-Business (B2B)

- Sell products for hospitals and other facilities

Three Measures for Pursuing Growth

Growth Strategy—Entrance into New Business Overseas

▶ Establish Overseas Business via Cross-Border E-Commerce

FY 2/2024–
FY 2/2025

Cross-border e-commerce via agencies

Targets

- Acquire expertise regarding cross-border e-commerce
- Find and narrow down locations for potential store openings
- Investigate product trends

FY 2/2026–
FY 2/2027

Cross-border e-commerce via local stores

Targets

- Investigate opening overseas e-commerce stores locally
- Investigate opening brick-and-mortar stores locally

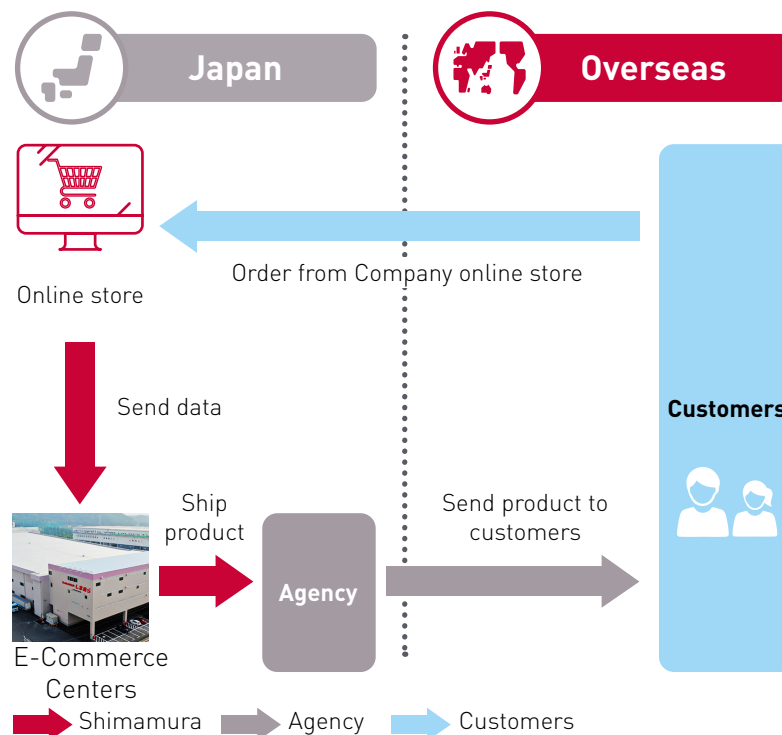
FY 2/2028–

Establishment of overseas business

Goals

- Open overseas e-commerce stores
- Open overseas brick and mortar stores

Sales to overseas customers via domestic agencies



Three Measures for Pursuing Growth

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

Create an organization that helps achieve long-term management plans

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

Maximize employee performance

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

A “good company” with comfortable and rewarding work conditions

Create a satisfying work environment

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

Diversity, equity, and inclusion

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

Three Measures for Pursuing Growth

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

● Utilization of Customer Management System

Medium-Term Management Plan 2024

Introduce system, begin data accumulation

Medium-Term Management Plan 2027

Accumulate and utilize data, maximize effectiveness

Enhance member benefits

(Offer points and other forms of monetary value)

Enhance member benefits

↓
Increase membership numbers

↓
Improve accuracy of accumulated data

↓
Maximize effectiveness

Store Opening Measures

- Increase sophistication of trade area analysis
- Select optimal locations

Products, Sales Promotions, and Sales Floor Measures

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

Customer Service Measures (App Features)

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

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

Recommendation Optimization Measures

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

Digitalization of Store Work



Cashless registers



Automatic change dispensers



Tablets



Digital point of purchase (POP) marketing

Three Measures for Pursuing Growth

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

Risks that could obstruct the supply chain



Reconstruction of supply chain to address risks

External Risks

Product procurement risks

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

Internal Risks

Domestic logistic capacity insufficient to match expansion

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



Overseas

Production



Japan

Logistics



● Increase purchasing by Import Department

Reduce purchasing costs by increasing direct transactions with overseas suppliers

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

● Review countries of production to ensure steady supply

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

● Review production system

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

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

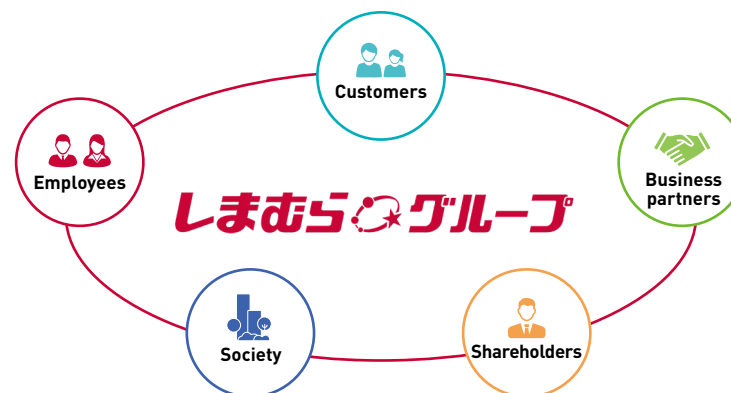
Make preparations for new E-Commerce Center in Tenri, Nara Prefecture
Make preparations to relocate aging Transfer Centers

Three Measures for Pursuing Growth

Initiatives to Solve ESG Issues

Management Mission

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



Accomplishing Our Management Mission

Accomplish our management plan through sustainable growth

Accomplishing Our Management Plan

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

Three Measures for Pursuing Growth

Initiatives to Solve ESG Issues

	Priority issues	Initiative Items and Targets	Applicable SDGs
E	▶ Circular economy promotion	Complete recycling ratio of hangers 90.0%*1 Complete recycling ratio of plastics 50.0%*2	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
	▶ Reduction of GHG emissions	Continuation of zero product waste*3 GHG emissions (Scope 1 and 2) 60% reduction (compared with 2013)	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
	▶ Sustainable procurement	Ratio of sustainable products 40.0%*4 Continuation and evolution of suppliers' CoC compliance structure	11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
S	▶ Activities by diverse human resources	Ratio of female managers 23.0%*5 Employment ratio of people with disabilities 5.0%	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
	▶ 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	11 SUSTAINABLE CITIES AND COMMUNITIES, 17 PARTNERSHIPS FOR THE GOALS
	▶ Evolution of governance	Promotion of debate over the growth strategies and capital policy Continuation and evolution of risk management Fostering of successors Ensuring diversity and appropriate scale of the Board of Directors	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS

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

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

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

Capital Policy

KPIs and Allocation of Managerial Resources

Capital Efficiency

ROE

9.0% or higher

* Level exceeding cost of equity

Shareholder Returns

Dividend payout ratio

Approx. **35.0%**

DOE

Approx. **3.0%**

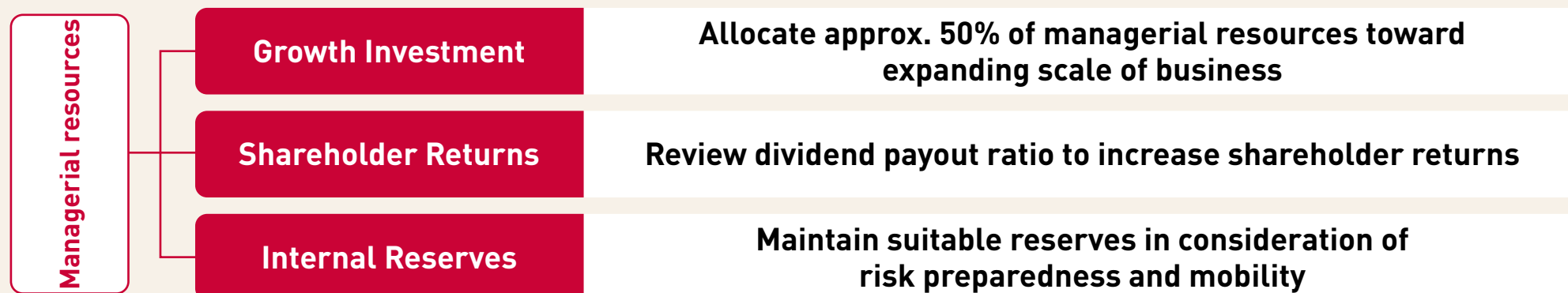
Financial Security

Liquidity-on-hand ratio

Approx. **4** months

Managerial Resource Allocation Policies

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



Capital Policy

Growth Investment

Growth Investment Policies

- ▶ The Shimamura Group will expand investments in order to achieve continuous growth.
- ▶ We will work toward improving performance and contributing to all stakeholders by elevating the quality of stores, products, personnel and DX, and boosting productivity through investments in the expansion of the business scale.
- ▶ We will allocate approximately 50% of managerial resources for investments in sustainable growth.

Managerial Resources

Approach to Managerial Resources

- ▶ Managerial resources are funds obtained through cash flows from operating activities (operating CF).
- ▶ Over the three-year period of Medium-Term Management Plan 2027, we expect to allocate managerial resources amounting to approx. ¥150.0 billion, of which ¥80 billion—more than half—will be allocated to growth investments.

Medium-Term Management Plan 2024

Existing Continuation of Existing Investments

Ratio of managerial resources allocated to growth investments

10–20%

Key Investment-Related Results

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

3Capital investments over the three-year period remained low due to insufficient store openings and other factors

▶ Uninvested portion allocated to internal reserves

Medium-Term Management Plan 2027

Shift Toward Investments in Sustainable Growth

Ratio of managerial resources allocated to growth investments

Approx. **50%**

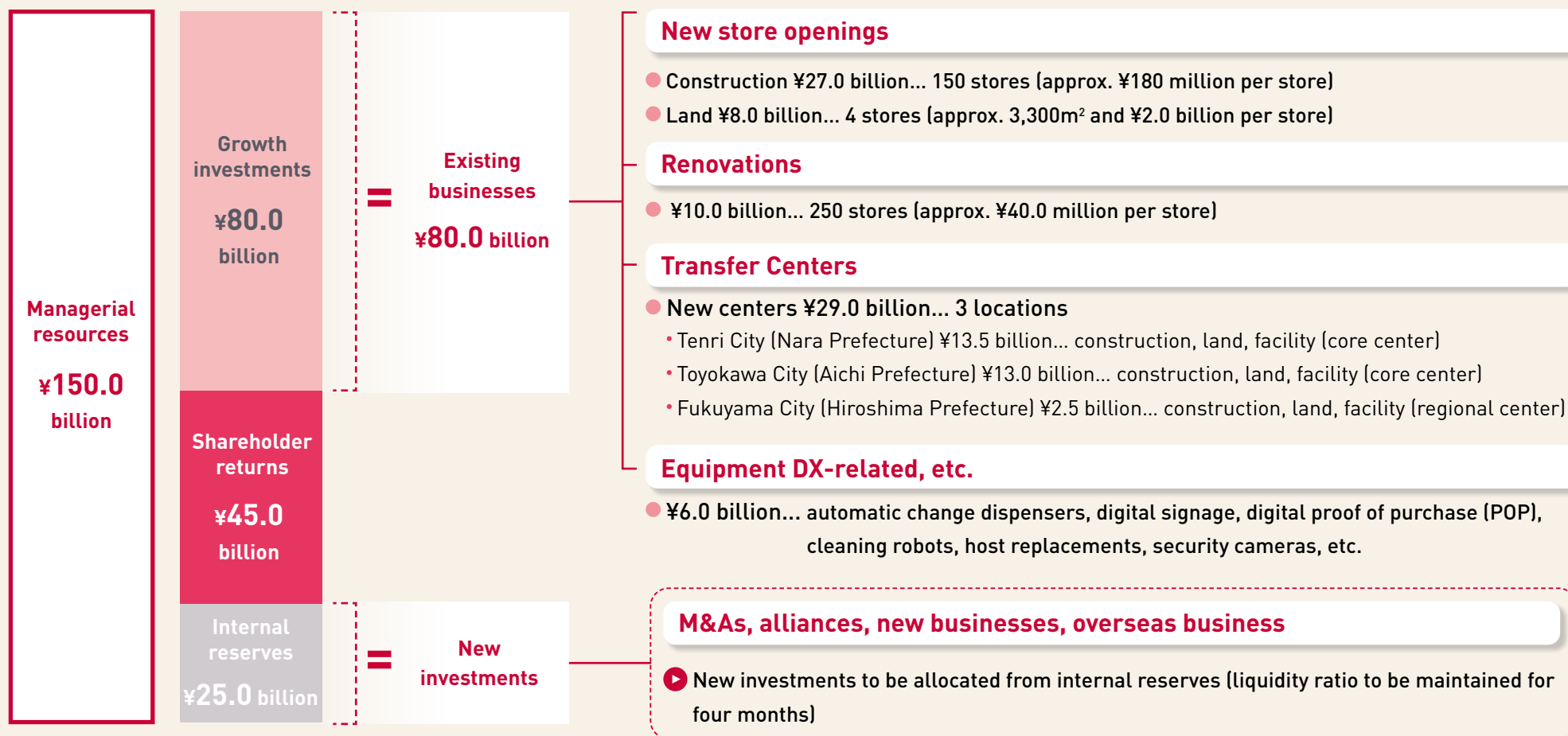
Key Investment-Related (Planned)

- Investments in new store openings (buildings and land)
- Investments toward strengthening foundation
 - Investments in Transfer Centers and E-Commerce Centers
 - Investments in store renovations
 - Investments in systems and human capital

Capital Policy

Growth Investment

Allocation of Growth Investments (Fiscal 2024—2026)



Capital Policy

Internal Reserves and Capital Efficiency

Internal Reserves Policies

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

Medium-Term
Management Plan 2024

Medium-Term
Management Plan 2027

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

Capital Efficiency Policies

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

Medium-Term
Management Plan 2024

Medium-Term
Management Plan 2027

Initial Target ROE **7.0%** or higher

Revised Target ROE **8.0%** or higher

ROE
9.0% or higher

* Level exceeding cost of equity

Capital adequacy ratio Over **80%**

Capital Policy

Measures to Conduct Management Mindful of Capital Costs and Stock Prices



Capital Policy

Implement Initiatives to Maintain ROE That Exceeds Capital Costs

