

しまむらグループ

しまむらグループ Integrated Report 2024

SHIMAMURA Co.,Ltd.

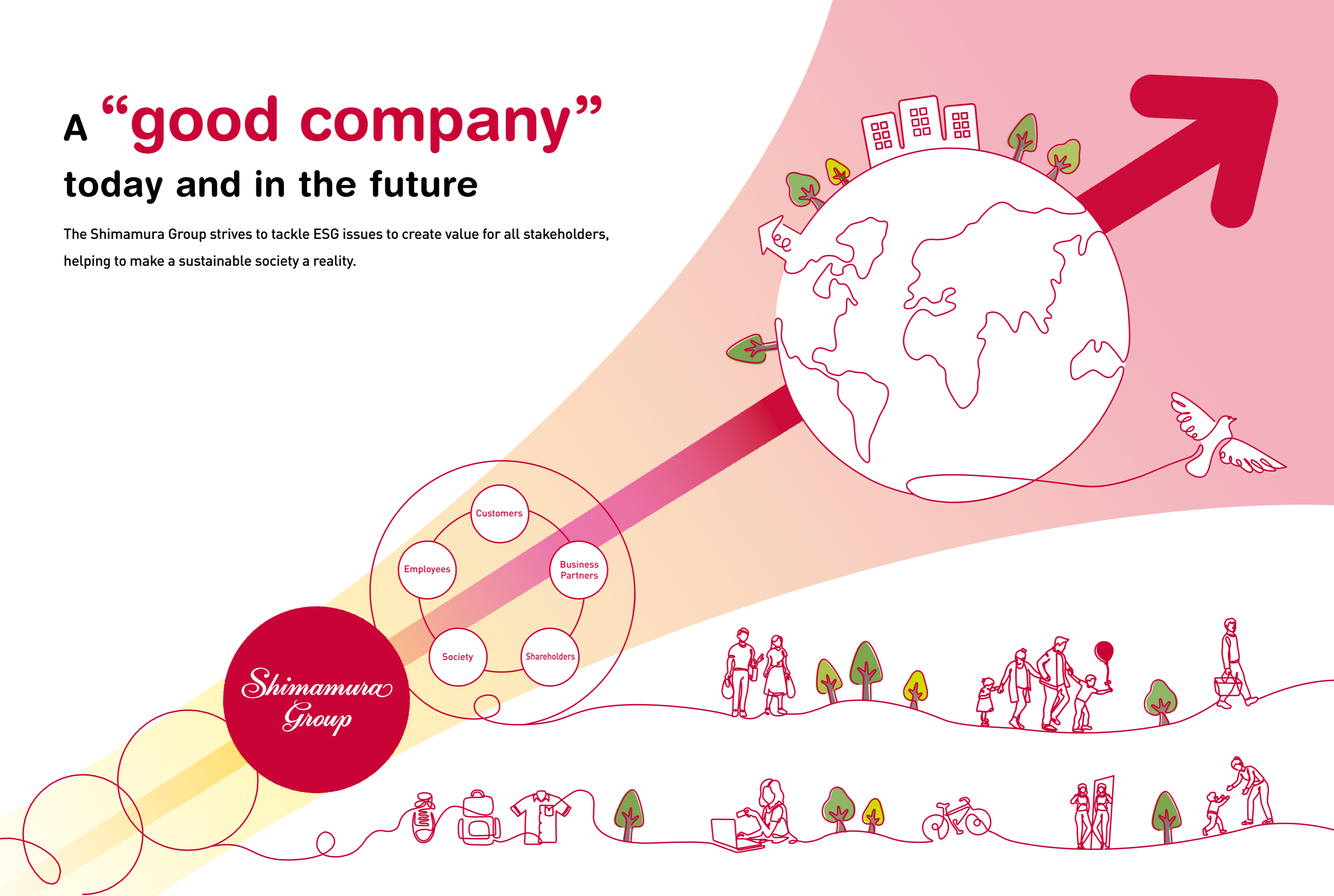
1-602-1 KITABUKURO-CHO, OMIYA-KU, SAITAMA-SHI, SAITAMA, 330-9520, JAPAN

TEL: 048-631-2111[Receptionist]

<https://www.shimamura.gr.jp/en/>

A “good company” today and in the future

The Shimamura Group strives to tackle ESG issues to create value for all stakeholders, helping to make a sustainable society a reality.



The Shimamura Group at a Glance

FY 2/2024

The Shimamura Group currently operates approximately 2,200 stores across all 47 prefectures of Japan and Taiwan.

Since its establishment, the Group has developed a unique approach to retail business, rooted in low-cost operations, that values technological innovation and diversity of human resources. We will continue our efforts to uplift our business to the next level and contribute to the enhancement of consumer life and lifestyle culture through our commerce.



Business Performance (Consolidated)



V-shaped recovery complete,
on to the next challenge!

Net sales

635.0
billion yen



Operating profit

55.3
billion yen



ROE

8.8%



Business Scale



Steady expansion in scale
since establishment

Establishment

1953

Number of stores
(domestic and overseas)

2,227



Number of employees
(domestic and overseas)

Full-time employees
3,157

(Part-time/temporary employees 16,200)



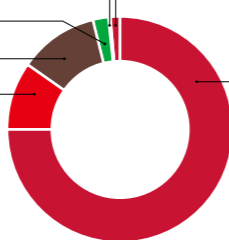
Total customers per year

Approx.
200 million



Sales by business segment

Divalo	0.1%	Si Meng Le (Taiwan)	1.3%
Chambre	2.3%		
Birthday	11.5%		
Avail	9.7%		
		Shimamura	75.1%



Sustainability*1

*1 Results are for Shimamura Co., Ltd.



Making sustainability the norm

Complete recycling ratio
of hangers*2

60.1%



*2 Plastic hangers in the Company's designated
colors that come with products

Product disposal

0 (zero)



Purchase ratio
of sustainable products*3

35.3%



*3 For CLOSSHI, a Shimamura business private
brand (PB)

Ratio of women managers*4

17.6%



*4 Ratio of women managers in the senior class and above

Employment of people with disabilities

4.78%



Number of unaddressed principles within
Japan's Corporate Governance Code

0 (zero)



Ratio of outside directors

33.3%



Our System for Creating a Good Company (Overall Framework) ~Making Our Company Better with Our Own Hands~

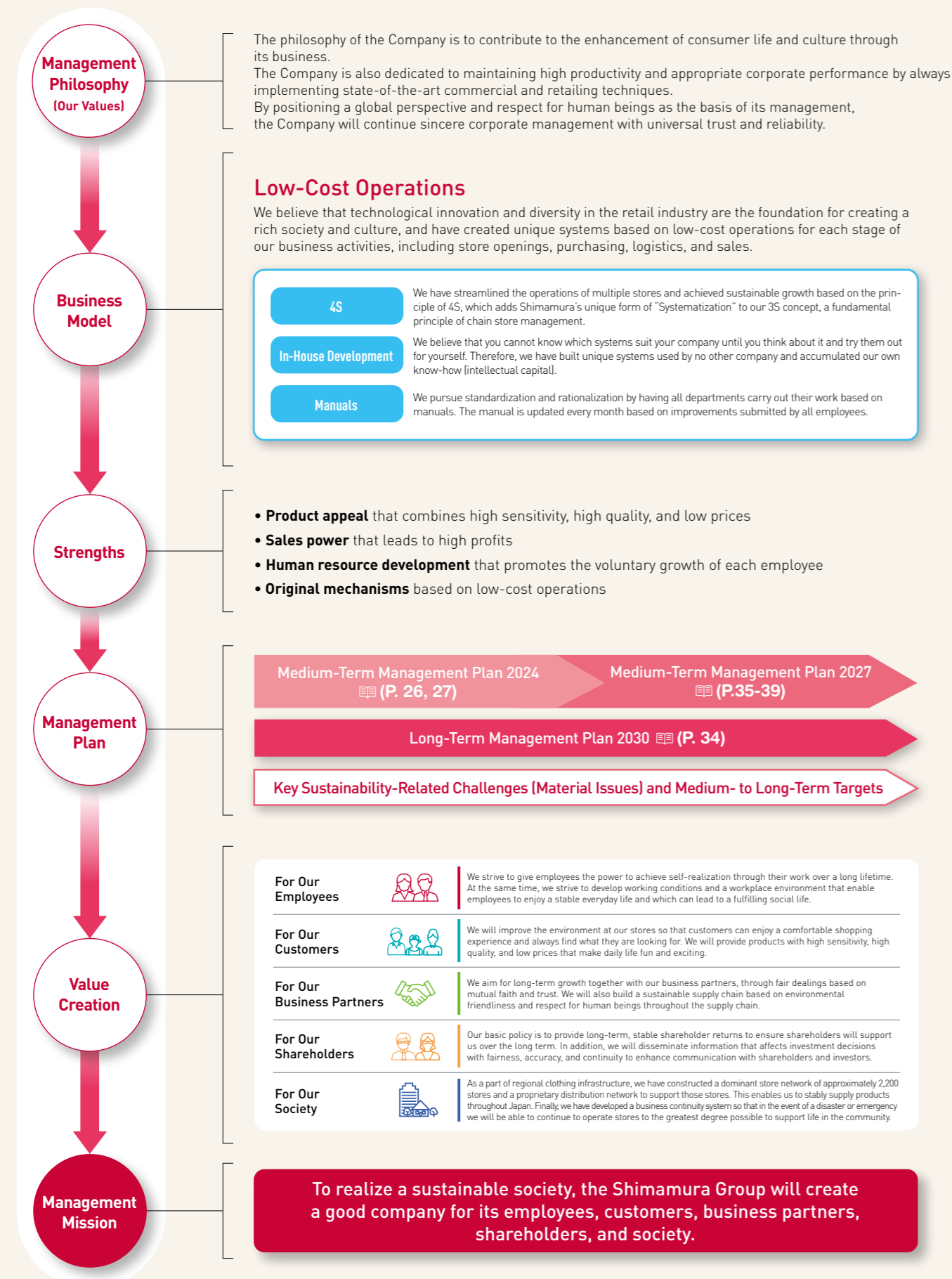


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Former Higashimatsuyama store



Divalo Nishi-Oniya store (the first Divalo)

Bringing Joy to Everyday Life Through Peace of Mind and Excitement

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Shimausa Family



Saitama Shintoshin Fashion Mall

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Editorial Policy

To further enhance communication with investors and all other stakeholders, the Shimamura Group issued its first edition of the Shimamura Group Integrated Report in August 2024 to clearly provide an overall picture of the Group and convey our path to sustainable growth. Detailed information that cannot be included in this report is available on our corporate website, so please refer to our information disclosure framework to access the information you need. We will remain dedicated to active disclosure in order to give stakeholders a better understanding of the Group.

Reporting Period and Scope

This report primarily covers FY 2/2024, the period from February 21, 2023 to February 20, 2024. However, it may also include information outside of this period when necessary. The scope of this report covers Shimamura Co., Ltd. and its consolidated subsidiaries, but some sections contain information that only applies to Shimamura Co., Ltd.

Referenced Guidelines

- Integrated Reporting Framework (IFRS Foundation)
- Guidance for Collaborative Value Creation (Ministry of Economy, Trade and Industry)



Cautionary Statement Regarding Forward-Looking Statements

The future strategies and forecasts described in this integrated report include forecasts, plans, and judgments based on information available at the time of publication. These forecasts, plans, and judgments are subject to many potential risks, uncertainties, and assumptions, and actual results and business performance may differ significantly from the Group's forecasts due to fluctuations in these factors.

Information Disclosure Framework

Shimamura Group Corporate website (English)
<https://www.shimamura.gr.jp/en/>

Financial Information
<https://www.shimamura.gr.jp/en/>

- Securities Report (Japanese only)
- Financial statements
- Monthly sales reports
- Financial and performance information

Non-Financial Information
<https://www.shimamura.gr.jp/en/sustainability/>

- Corporate Governance Report
- ESG Databook

Integrated Report

Message from the President

We will work together as a company to take on the challenge of new growth, with the goal of being a “good company” for all stakeholders.

Creating a Good Company

Shimamura is built on the idea of “creating a good company”—something that is deeply embedded in our Management Mission. Since our very founding, we have never faltered in this pursuit. But, who are we trying to be a good company for? The answer is that we strive to be a good company for all stakeholders. If we are a good company for employees, we naturally become a good company for customers and our business partners (suppliers) as well. By extension, if we are a good company for employees, customers, and suppliers, then we become a good company for shareholders and society. This is our stance. From the beginning, the founder of Shimamura, and his management team and other management, took the time to explain this goal to employees, reinforcing their determination to achieve it. I think he wanted to convey an ideal that every merchant must hold dear, namely building trust and credibility. Shimamura is rooted in several fundamental principles, but none are more important than trust and reliability. We are a retailer that purchases and sells products. As a retailer, we bear a responsibility to sell products that customers need at fair prices and also to sell all the products we have purchased down to the very last item. I believe that our work to meet these responsibilities, combined with our work to build trust and credibility, has made it possible for Shimamura to keep growing since its founding.

Business Performance Reaches a Record High for the Third Consecutive Year

When it comes to selling apparel, the biggest external factor impacting business performance is the weather, and FY 2/2024 (fiscal year ending February 2024) brought challenges in this form. We faced weather changes, prolonged summer heat, and a warm winter, making the seasons less distinct. Despite these challenging business conditions, the Company expanded its product lineup by promoting highly unique products such as its private brands (PBs), which are developed in-house, and its joint development brands (JBs), which are developed jointly with suppliers. We also adjusted to diversifying sales promotion methods by actively putting forth digital sales promotions of our own, while also maintaining careful control over our advertising and promotional expenses. As a result, net sales increased 3.1% year on year, to 635,091 million yen, and operating profit increased 3.8%, to 55,308 million yen, marking the third consecutive record-breaking year for the Company. We have completed Medium-Term Management Plan 2024, titled Reborn, which has been guiding our efforts for three years starting from FY 2/2022, with our best foot forward, and have built a solid foundation for our next period of growth.



MAKOTO SUZUKI

President and Representative Director
Shimamura Co., Ltd.



Message from the President



Medium-Term Management Plan 2024 “Reborn”— Back to Our Roots

Our strength, the thing which differentiates us from other companies, is undoubtedly our product appeal. Shimamura was founded in Ogawamachi, Hiki District, Saitama Prefecture as a company specializing in selling apparel. Although the products we handle have changed from kimono fabric to Western clothing, our strength has always been our broad and diverse product lineup. However, in recent years, the Company had not been able to demonstrate this unique strength, and from FY 2/2018 had to deal with a string of sluggish performances amounting to three consecutive fiscal years of declining revenue and profits. This was the state of Shimamura when I became president in 2020. When I took my position, my mission and first point of order was to reinvigorate the Company’s performance as quickly as possible. My initial step as president was to keep cool and level-headed. If the president has a dour face, it hurts employee morale. At the same time, when I looked at the basic principles of Shimamura that brought us strength—such as trust and credibility—these principles that were once the norm in better times had somehow fallen away. With this in mind, we formulated Medium-Term Management Plan 2024, titled “Reborn,” to mark a return to our roots and restore Shimamura to its original brilliance. Over the course of the plan, we also incorporated our determination to create a good company—an

idea we have always touted—into our Management Mission, and clearly defined what we believe cannot be changed as well as what we believe should be changed.

Shimamura’s Three Basic Policies to Bring Back What Gives Us Strength

We established three basic policies under the previous medium-term management plan: 1) strengthen product appeal; 2) strengthen sales power; 3) reinforce the business base and foundation.

Strengthen product appeal

We value high-quality, sophisticated products offered at low prices and developed from the customer’s perspective. As one example of this philosophy at work, we hold meetings to decide which products to introduce, for an upcoming season, between a product manager with the authority and responsibility to make a decision and buyers. If the president were to attend this meeting, it would hinder the employees’ sensitivity and creativity, and the end result would suffer. That is why, since becoming president, I have never attended these meetings. I believe the product appeal of our PBs, JBs, and planned products has improved significantly as a result.

Strengthen Sales Power

To date, Shimamura has based its promotional strategies on mass marketing, including TV commercials and newspaper inserts, emphasizing the number of people within a trade area. But, as the world becomes more digital, it is now possible to analyze the type of people visiting a store regardless of the trade area and pinpoint marketing to them, and this is taking over as the mainstream approach. That is why we have ramped up our digital sales promotions. Since promotion can be directed toward certain regions or times of day, costs are lower than TV commercials or newspaper inserts, and we can also measure their effectiveness. That being said, newspaper inserts are still an effective strategy in some rural and suburban areas in Japan. In our case, we have customers spanning a wide range of ages and regions, so we are focusing on balancing efficiency and effectiveness in our sales promotion efforts in order to strengthen sales power.

Reinforcement of the Business Base and Foundation

We operate over 2,200 chain stores in Japan and overseas and we have developed an in-house system suited for our operations. In 1981, we put our product management information into a database and introduced a point-of-sale (POS) system that linked all stores online, creating a logical system. However, as the Company grew, our systems development lost its former cutting-edge luster. When I was serving as the executive in charge of system development, I was aware of issues within our systems. First, we updated our systems to a level acceptable within society and proceeded to adjust their workings. One of the most significant changes we made was to our POS system. We updated our system to connect all store POS registers to the cloud, allowing us to visualize store sales in real time. This lets us gain an instant understanding of inventory in both brick and mortar and online stores, allowing us to better plan when to produce more of a product or reduce its prices.

Governance Reforms that Supported Medium-Term Management Plan 2024 “Reborn”

While advancing initiatives in line with the basic policies of the previous medium-term management plan, we also undertook

governance reforms. When I first became president, the governance system was top-down, with policies decided by the president being implemented all the way down to the sales floor. This was effective when we were a smaller company, but at our current size it no longer works. To respond quickly to the rapidly changing business environment and consumer behavior, each and every employee must think creatively, and move forward. This needs to start from the bottom up. Therefore, as an initial step, we decided to adopt a consensus-based system in order to ensure objectivity and transparency in management decision-making. Specifically, we established voluntary committees, such as the Nomination & Remuneration Committee and the Management Plan Formulation Committee, and put in place a system that allows discussions on individual topics. Looking at the evaluation of the effectiveness of the Board of Directors, there are still many issues that need to be addressed, but I believe that the review of our corporate management structure enabled us to make steady progress over the previous medium-term plan and restore business performance, as was its goal.

Medium-Term Management Plan 2027 The Next Challenge—Pursuing Growth

Medium-Term Management Plan 2027, titled “Next Challenge—Pursuing Growth,” which kicked off in FY 2/2025, embodies our strong desire for growth. Having achieved a recovery in performance under the previous medium-term plan, the Company is ready to take on its next challenge—achieving new growth. The challenge we face in the new medium-term management plan is to achieve growth that goes beyond the norm—growth that requires us to change the way we have been doing things so far. To this end, the entire Company will come together and use our ingenuity to overcome our “next challenge.”

In terms of numerical targets, the Company aims to achieve net sales of 719.0 billion yen and operating profit of 66.0 billion yen for FY 2/2027, and plans to open 150 new stores domestically over the next three years. However, this plan only lays out the minimum requirements we intend to meet. In the apparel industry, where external factors such as weather can have a major impact on business performance, over-planning is to be avoided. Therefore, we aim to review the plan on a rolling basis once the first phase is completed and make any necessary adjustments.

Message from the President

Changing All the Norms

In the first year, FY 2/2025, we will work to change that which has been the norm to date. As one example, we will change the “norm” for annual net sales per store. When calculating the net sales of a business by the number of stores, in the case of the Shimamura business, our base of revenue, we considered it the norm for each store to generate 300 million yen in net sales. However, we now have stores with annual sales approaching 1.0 billion yen, and I believe that if we do not review the systems already in place, we will no longer be able to operate those stores properly. For Shimamura, a company that operates chain stores, systems are its base and foundation. Additionally, we plan to open more stores in urban areas going forward. By opening stores in densely populated areas, it is possible that some stores may achieve sales of 1.5 or 2 billion yen. We will not be able to maintain operations based on our previous norms, meaning we need to think of a way to ensure logical operations and put this into practice, and we need to do it quickly.

A Capital Policy to Help Take On New Challenges

To implement The Next Challenge in a steady fashion, we will also need to evolve our capital policy, which is what ensures the appropriate allocation of managerial resources. As a point of policy, we plan to expand upon our stable financial foundation while maintaining an amount of cash-on-hand sufficient to allow for flexible and swift decision-making should we come upon the chance to acquire store sites and properties under favorable conditions, or some other sort of unexpected investment opportunity. To date, Shimamura has operated independently and debt-free. Going forward, we will continue to make investments using our internal reserves and other funds on hand.

We will allocate roughly half of our management resources to growth investments, investing in capital that will lead to sustainable growth. As part of these investments, we will challenge ourselves by launching new businesses to serve as new pillars of revenue for the future. With regard to these new businesses, we are also looking into M&As and

forming alliances. Regarding our overseas business, we will first aim to expand Si Meng Le Taiwan. As for expanding outside of Taiwan, I would like us to conduct a thorough analysis of local markets and establish locally-tailored marketing and branding before taking on that particular challenge.

In terms of shareholder returns, I would like to first meet shareholder expectations by achieving sustainable growth. Our goal is to achieve stable returns by improving our performance each fiscal year and thereby providing steady increases to dividend payouts. To this end, we set a dividend payout ratio of approximately 35.0% and a DOE of approximately 3.0% as KPIs under the new plan. We carried out a stock split on February 21, 2024, but maintained the same standards of our shareholder benefit plan post-split. We will continue to review our policies as needed, taking into account market changes, our business performance, and dialogues with our shareholders, investors, and other stakeholders.

Clothing as Social Infrastructure —Our Mission

We strive to be an important part of social infrastructure through the provision of clothing. It was during the Great East Japan Earthquake in 2011 that we became sharply aware of how we play a part in social infrastructure. At the time, my only thought was to get our stores open as quickly as possible. This was not a matter of sales; it was a matter of helping people who live in the area. While food could be purchased at supermarkets, we heard from employees living in the area that clothing items such as underwear and socks were unavailable or in short supply. What left a strong impression on me was how excited local customers were when we reopened for business. Based on this experience, I believe that we should play a role in social infrastructure and that one norm that must remain constant is the idea that “if you go to Shimamura, you can get what you need.”

One specific activity we have undertaken toward our part in social infrastructure is our Shima Sapo shopping support service, which we launched in FY 2/2025. This is a service for people who do not have clothing stores near their homes and have few opportunities to shop, as well as for people who live in facilities. Shimamura stores reserve time during which these groups can

shop exclusively or Shimamura stores bring staff and products to the facility to allow them to enjoy shopping. We will continue to expand our role as a part of social infrastructure so that we can continue to be an indispensable part of society.

Shimamura and Sustainability Activities

Shimamura aims to be a good company and, since the early days of our founding, we have placed importance on the sustainability of our business. In addition, our unique business model of pursuing low-cost operations intrinsically leads to sustainable efforts for the environment and society. Additionally, in recent years, we have focused on developing and selling sustainable products, with plans to increase our purchase ratio of sustainable products for PBs to 40.0% by FY 2/2027.

In terms of environmental initiatives, we are already working on reducing the environmental impact of factors we can control within the Company, such as reducing electricity consumption and CO₂ emissions from the trucks that deliver our products. For example, we have established a complete recycling system for the hangers and plastic used in our stores. On the other hand, one thing I think we need to tackle going forward is the recycling of clothing. We hope to make progress so that full-scale operations can take shape over the next three years.

With regard to society, we are working to visualize human rights risks in the supply chain, then reduce those risks. Our employees conduct on-site audits of the factories that produce PBs to confirm respect for human rights with our own eyes. We cooperate with our suppliers and receive a declaration of compliance with the Shimamura Supplier Code of Compliance [CoC] before conducting any business with them.

A Company Worth Supporting Over the Medium to Long Term

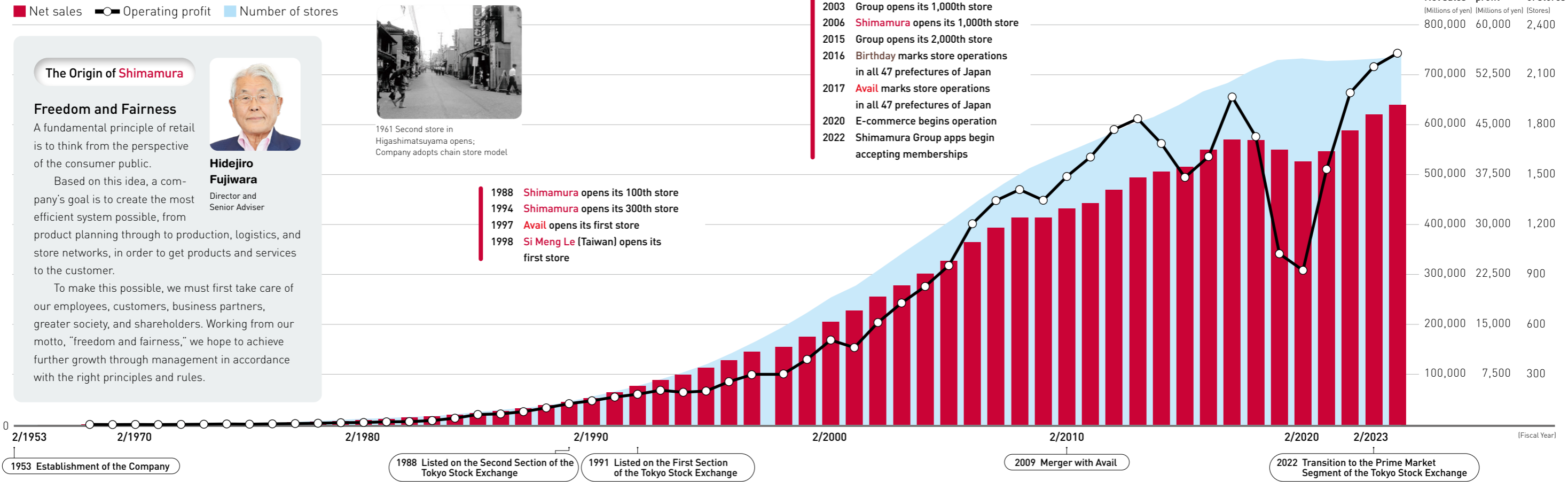
It is my hope that our shareholders, investors, and other stakeholders will empathize with the Shimamura style of management and support us over the medium to long term. This integrated report in front of you was produced with the hope of helping people to gain a deeper understanding of our efforts to be a good company. The management team’s mission is to expand the scale and scope of our business and increase our corporate value.

Going forward, all of our employees will work together to take on the “next challenge” and keep growing. I invite you to bring your expectations to the table and we will try to meet them. As we go forward, I look to all our stakeholders for their support.



Shimamura Group History

Shimamura was founded in 1953 as Shimamura Fabric Store in Ogawamachi, Hiki District, Saitama Prefecture. Since then, the Company has expanded nationwide as a mass retailer of everyday apparel. We will continue to provide products at affordable prices and develop stores nationwide that allow convenient shopping, thereby contributing to the improvement of people’s lifestyles. Additionally, as a part of social infrastructure that ensures a stable supply of clothing, a daily necessity, we will help stabilize and improve consumer lifestyles.



Creating Value—Point #1

1953—Rational growth and expansion through theory and systems

The information systems that support the core of a chain store vary greatly depending on the number of stores in operation. The Shimamura Group emphasized systems management from an early stage and has created comprehensive systems suited to the number of stores in operation, from 300 stores, to 500 stores, to 1,000 stores, and now over 2,000 stores.

By developing these systems in-house, we have been able to, efficiently and with swift improvements, develop systems best suited to our needs.

Our systems are developed by employees of the Systems Development Department. Since the people developing these systems understand the basic concepts and inner workings of our business, we can develop ideal systems for each type of work, which leads to high productivity and efficiency. This results in systems optimized for what we need, without any frivolous additions, meaning improvements can be made quickly.

Case Study

1987: Introduction of a barcode system

Until 1987, product codes printed on price tags had to be manually entered into the cash register. After introducing barcodes on price tags, it became possible to register items by scanning them, making the process more accurate and faster.



1987: Systemizing product acceptance and inspection

Previously, received items were processed manually by matching products with invoices. We made it possible to check the receipt of goods by scanning the barcodes on price tags and matching them with invoices via computer.



Creating Value—Point #2

2000s—Becoming a trend-setting brand in Japan

Our steady efforts to expand operations of our Shimamura chain culminated in 2002, with stores opened in all 47 prefectures of Japan. By then, the Shimamura brand had become widely known thanks to full-blown marketing efforts through mass media and work with influencers. In 2009, the catchphrase “Shima-ra” was coined to describe people who coordinate their outfits using clothing purchased at Shimamura.

Case Study

The “Shima Patrol” is a name given to shoppers who regularly search Shimamura stores for good deals. We are working to increase awareness and build a fanbase by having people post on social media about products they have purchased, using the hashtag #Shimapato (a combination of the words Shimamura and patrol).



Creating Value—Point #3

2021—A V-shaped recovery in Growth as our next challenge

Although we had been steadily expanding our business performance and scale, we experienced a decline in revenue and profits over a three year period from FY 2/2018 to FY 2/2020. Under our Medium-Term Management Plan 2024, titled Reborn, we strengthened our product appeal, sales power, business base, and foundation, and achieved a V-shaped recovery amid the COVID-19 pandemic. In FY 2/2025, we launched our new Medium-Term Management Plan, “The Next Challenge,” and are working to take on challenges aimed at growth.

Case Study

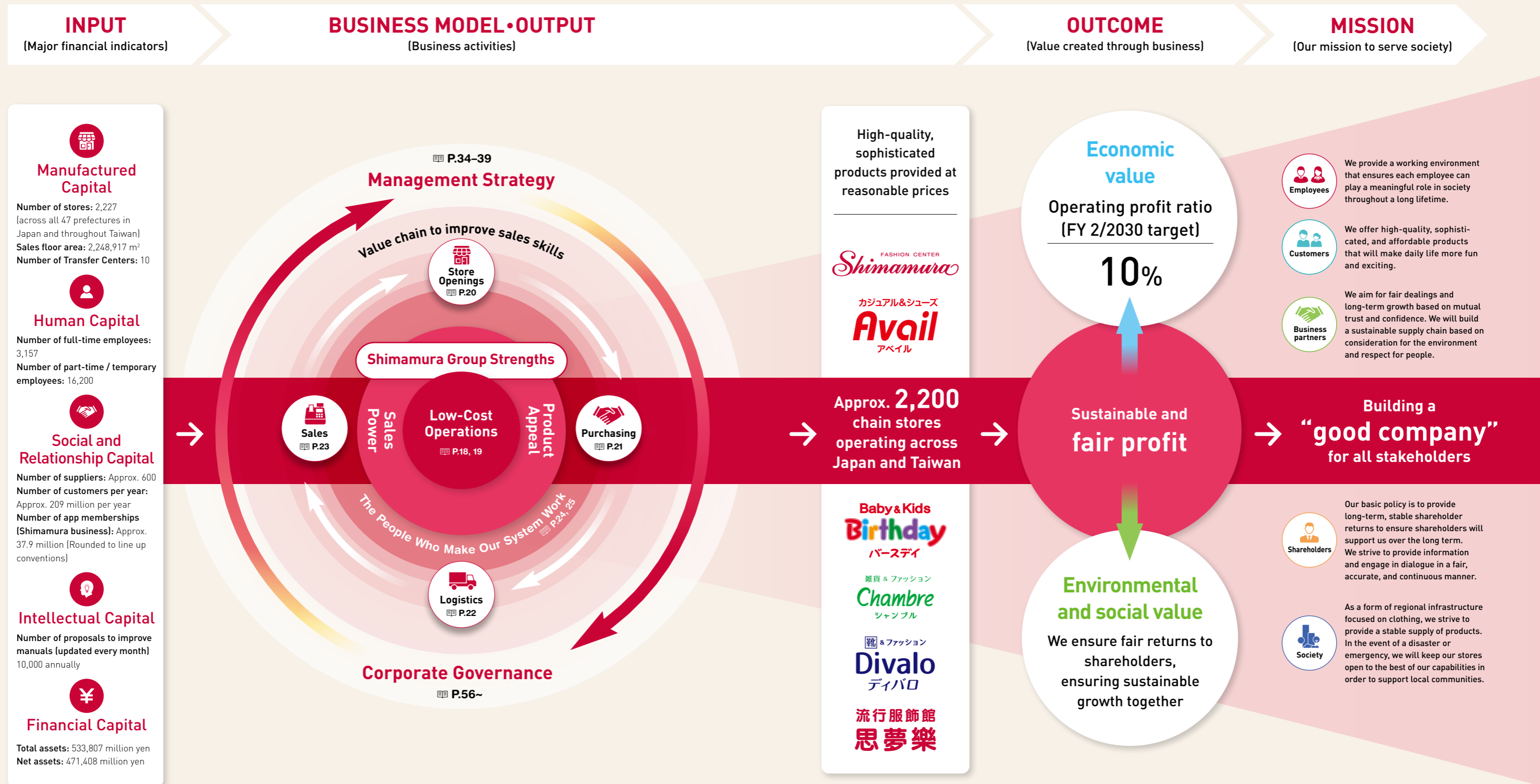
The Shimamura Group celebrated its 70th anniversary in FY 2/2024. As part of its 70th anniversary project, the Company managed to attract several customers by offering limited-edition products made in collaboration with celebrities and influencers and by holding high-value sales promotions such as a “Big Thank You Sale” where customers could enjoy special offers at great prices.



Value Creation Process

The Shimamura Group provides customers with high-quality, sophisticated products at reasonable prices thanks to its strong product appeal and sales power, both of which are strengthened by its unique, low-cost operation system built for running chain stores efficiently and at a high level.

To increase our corporate value in a sustainable manner, we will generate “fair profits” that balance economic value with environmental and social value. Our goal in these efforts is to become a “good company” for all stakeholders.



PHILOSOPHY

(A system of ideals that lay the groundwork for value creation)

Contribute to the enhancement of consumer life and lifestyle culture through our business.

High productivity

Suitable business performance

Impartiality and fairness

Globalmindedness

Respect for human rights

Universal trust and credibility

Business operations with integrity

We have developed a unique system, dubbed "Cap-Low." It allows us to operate chain stores efficiently while generating product appeal in the form of high-quality, sophisticated products, offered at low prices, as well as sales power, which leads to strong profits. Low-cost operations permeate all of our processes, and we are committed to extending this system to every aspect of our businesses.

The system is not simply about reducing expenses—with low-cost operations, we are better equipped to run chain stores sustainably.

Low-Cost Operations



In-House Development



Manuals



Previously, we upheld "3S"—an acronym for "standardization," "simplification," and "specialization"—as a major principle of chain store operations. These 3S's streamline multi-store operations and make it possible to implement low-cost operations.

We have since updated the 3S principle to 4S, adding "systemization," which refers to the concept of building organizations based on rational thinking. We intend this 4S principle to be a driving force as we continue efforts toward growth.

In-House Development

By basing our operations on in-house development, we are able to create systems best suited to our needs while also having the ability to make rapid improvements. We gathered the type of know-how that can only be obtained by operating our own logistics centers, having our own Store Development Department handle store development, and through other similar efforts, with greater efficiency as the result.

For advertising, we utilize a studio set up at our head office to photograph products, take measurements, and write copy for advertising materials used in flyers and our online store. By utilizing our own studio, we aim to make advertising and promotion work faster and more efficient.

Manuals

Our manuals are at the very center of all work conducted by the Shimamura Group; every department carries out its duties based on these manuals in the pursuit of standardized, rational operations, forming the basis for our low-cost operations. Within these manuals are methods used by our very best veteran employees, standardized to ensure that even new employees perform above a certain level of skill and with high speed.



Store
Openings
P.20



Purchasing
P.21



Logistics
P.22



Sales
P.23



In-house development, from location development (trade area surveys, negotiations, contracts, etc.) to store construction

- Development of high-density stores using a dominant strategy (concentrated store openings in specific areas)
- Unique, standardized building specifications that improve efficiency of construction while reducing costs



Extremely low store-closure rate



Pursuit of a purchasing-based retail business

- Product lineup and sales plans are managed centrally at our head office (central buying)
- Basic policy of long-term transactional relationships with suppliers
- Complete purchasing with no items returned to suppliers
- Proprietary quality standards and safety management based on public standards



A wide variety of products in small quantities
Strong trust relationships with approx. 600 suppliers



Rapid logistics to support approx. 2,200 stores

- Group-operated Transfer Centers (10 centers nationwide)
- Joint delivery that reduces logistics costs for suppliers
- Direct delivery of products produced and distributed overseas by suppliers to our Transfer Centers (direct logistics)
- Modal shift, shift to environmentally-friendly modes of transport



Reduced logistics costs for us and suppliers,
greater efficiency, and reduced CO₂ emissions



Standardized and simplified store operations that enable a focus on sales

- Thoroughly standardized, simplified, and manual-based store operations
- Centrally managed product purchasing and inventory management via the head office
- Standardized sales floor layouts across all stores; centralized management of sales floor changes via the head office



Sales down to the very last item thanks to
large price markdown rates



Store Development

Highly profitable operations made possible by in-house development

Value creation unique to Shimamura

- ✓ Store openings: Research potential store locations, then make direct contracts with the owners and landlords
- ✓ Construction: Process managed entirely in-house, from design to construction to handover



Product Lineup

High Variety, Low Volume

Value creation unique to Shimamura

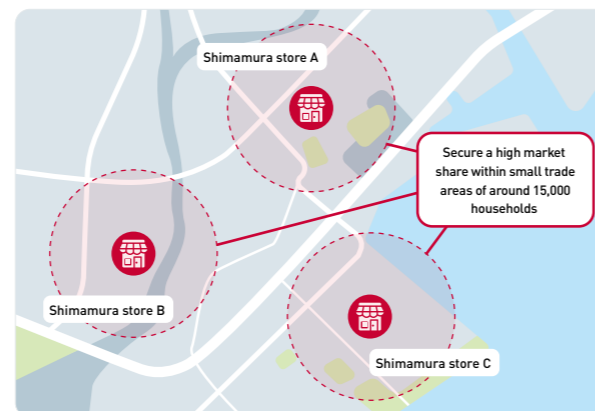
- ✓ Pursuit of a purchasing model that improves product appeal and sales power
- ✓ Central buying that takes advantage of economies of scale, making it possible to set low-prices

Developing profitable stores through our dominant store opening strategy

Drawing from our medium-term management plan and the Group's store opening strategy, the Store Development Department works to promote store openings as well as store development aimed at increasing net sales per store.

To date, we have developed high-density stores in the Shimamura business using our dominant strategy, which calls for concentrated store openings in specific areas. This strategy has also proven effective in raising the efficiency of deliveries from Transfer Centers and raising local awareness of the Shimamura brand in areas surrounding each store. For businesses other than Shimamura, we are working to establish trade area criteria based on sales and customer demographics, and develop stores accordingly. In one case, the commercial environment had changed since we opened stores in the area almost 30 years prior, so we relocated and consolidated our stores and have been working to rebuild our dominant presence.

In addition to our dominant strategy, we will ramp up efforts to open stores in urban areas, where we did not previously focus our efforts, and work to develop highly profitable stores in pursuit of sustainable growth.



Dominant store opening strategy

Thorough standardization for rational and efficient store construction

Store standardization is essential to implement our dominant store opening strategy at low cost. As far as this applies to store constructions, the Shimamura Group has established proprietary construction standards and specifications for all structures, including buildings, parking lots, advertising towers, and exteriors. Throughout the entire construction process, members of our Construction Department make sure that design and construction are compliant with those specifications and standards. This principle allows the Group, designers, and builders to carry out construction along the same set of standards, and we are able to build stores that are highly complete in a short timeframe as a result.



VOICE



Tatsuaki Hoshino
Executive Officer in charge of store openings and construction

When opening stores, we emphasize two things; using manuals to develop our systems and the self-driven training of our human resources. Each member of the Group's Store Development Department has experience as a store manager at one of our many stores, which makes them highly familiar with the types of locations that will generate high profits. In addition, members of this department personally survey and investigate locations and handle everything from negotiations to contract work. Furthermore, the Store Development Department continues to update its manual on how to open a store in a way that maximizes profits, taking readers through the process leading up to the signing of the contract. The end result is a store opened at low cost, but capable of generating high profit. The key points going forward with our store opening strategy will be to expand into urban areas while breathing new life into existing stores. Currently, we only have a few existing stores in urban areas, but plenty of room exists to open new ones, so we are increasing the number of employees in the Store Development Department to set this in motion. In addition to freestanding store openings, we will focus on opening stores in commercial facilities and also on strategic collaborations with other companies. For existing stores, we will relocate cramped sales floors to enlarge the space and open stores in a fashion mall format that features multiple businesses, transforming them into attractive commercial facilities. As another step, we will expand the scope of our renovations for these stores to improve the shopping environment for our customers.

Leveraging the top-line planning and production capabilities of approx. 600 suppliers

We are a retailer that sells products purchased from manufacturers, trading companies, and other suppliers.

By pursuing this purchasing-based approach, we have been able to focus on sales and improve our sales technology over the course of many years. With regard to product procurement, we have built strong relationships with approximately 600 suppliers, rooted in long-term transactions, and we make utmost use of each supplier's top-notch know-how as it pertains to product planning capabilities, information-based capabilities, and production management technology. This has allowed us to improve our product appeal without having to hire a designer or marketing director.

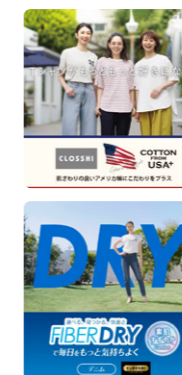
Central buying—operating multiple stores to leverage economies of scale

The Shimamura Group's product lineup is based on the concept of a wide variety of products offered in small quantities. This turns shopping into a treasure hunt as customers feel the excitement of searching through this wealth of variety for items that suit their unique tastes. Our products and sales plans are handled by the Merchandise Department, which serves as a buyer. Working in this role, the department purchases items from suppliers that are best suited to the sales plan for each product category. Business negotiations are conducted in a central buying format, meaning they are all handled by the buyer, who carries out bulk purchasing via the head office. Since we operate multiple stores, we are able to leverage economies of scale to place large orders, reducing purchasing costs and making possible the sale of items at reasonable prices. In addition, we purchase all products under an agreed-upon contract, with no uncollected or returned products, reducing unnecessary costs for the supplier and creating a trading environment beneficial for both the supplier and the Company.

Private Brands*

CLOSSHI is a private brand (PB), offered as part of the Shimamura business, that centers on a basic design rooted in comfort, usability, good materials, and proper manufacturing. We offer CLOSSHI products for a wide age range while maintaining a certain level of quality and price. We also sell our CLOSSHI PREMIUM line, which offers even greater functionality and higher-quality materials.

* Brands developed in-house



Joint-Development Brands*

For joint-development brands (JBs), we position products clearly according to taste, be it an affinity for elegant or casual items, and generation, such as their stage of life, offering products for younger and older customers.

Some representative brands include SEASON REASON, sold under the Shimamura business, and futafuta, sold under the Birthday business.

* Brands developed jointly with suppliers



High-quality, low-cost product procurement via the Import Department

The Trading Department conducts direct transactions with top-of-the-line overseas factories on a continual basis, accounting for approximately 10% of our purchases. With the Import Department handling factory management and imports, we are able to sell high-quality basic items at reasonable prices.

The Import Department plays a vital role in supplying products for the entire Group. To provide appealing products to our customers, we are increasing business with quality factories that meet the Group's standards, and producing low-priced products that are excellent in design, quality, and functionality as a result. The center of production is shifting from China to Southeast Asian countries, primarily in the ASEAN region. In light of this diverse spread of production areas, we intend to build a reliable logistics system based on what is rational from an economic view.

VOICE



Kazuo Konno
Senior Executive Officer in charge of the Import Department



Logistics

Rapid logistics to support stores

Value creation unique to Shimamura

- ✓ Continued pursuit of labor-saving, high-speed processing
- ✓ Directly-managed online store that utilizes existing logistics networks, greatly reducing costs



Sales

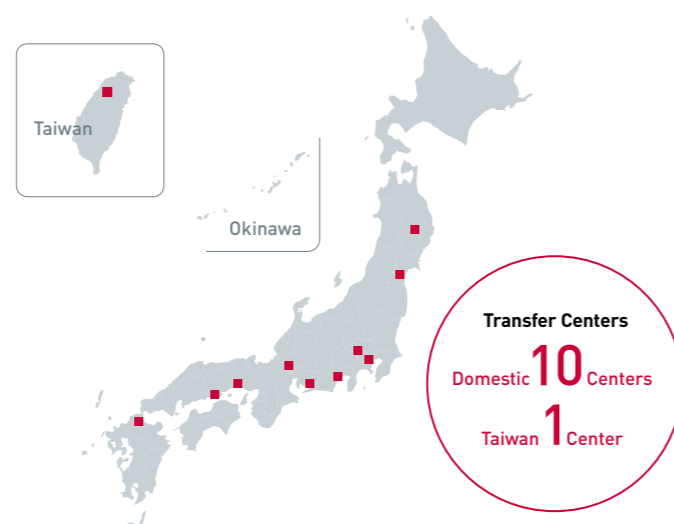
Store operations that enable a focus on sales

Value creation unique to Shimamura

- ✓ Efficient store operations with a small number of staff, made possible by standardization of work
- ✓ The Merchandise Department controls inventory to minimize price cuts and sell every last item

Group-Operated Transfer Centers

The Shimamura Group has 10 in-house Transfer Centers in Japan that deliver products across the country day after day. The driving principle behind our logistics is "speed." Therefore, we pursue labor-saving, high-speed processing to achieve short delivery times, with every process, from product sorting to the products being ready for delivery, carried out by machine. Our mechanized, automated, high speed logistics system and in-house operations allow us to reduce the cost per package by a significant amount.



Features of Our Rapid Logistics

In-House Joint Delivery

Joint delivery is a system for collecting packages from multiple companies and delivering them together. The Group operates 10 in-house Transfer Centers in Japan that accept deliveries from approximately 600 suppliers. Products received from suppliers are sorted and then delivered to stores at night, when truck delivery can be carried out with high efficiency. Deliveries are inspected at stores and put on display the following day. These are all aspects of a system built with full-ranging optimization in mind.

Direct Logistics

In direct logistics, logistics processing such as product sorting and price tagging, which was previously performed in Japan, is performed overseas, after which containers packed overseas are delivered directly to our Transfer Centers by sea. This system cuts down on the various costs that arise along distribution routes within Japan considerably, reducing logistics costs as a result.

Modal Shift

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For transportation between a portion of our Transfer Centers, we have adopted a modal shift, which entails transitioning from truck transportation to marine shipping and transport via rail. This shift increases logistical efficiency while reducing CO₂ emissions.

VOICE

Masaru
Takabayashi

General Manager,
Logistics Department



Our logistics network is a crucial factor in our ability to continue low-cost operations. We are constantly improving, evolving, developing, and fine-tuning the three elements of our unique logistics network: Group-operated Transfer Centers, in-house joint delivery, and direct logistics from overseas.

On the other hand, Japan's "2024 problem," which is directly related to logistics, has become a social issue, sparking an increasing need for a variety of measures to maintain and utilize logistics infrastructure. We are currently focused on digitalizing operations. For example, the 2024 problem calls for a reduction in the time drivers spend waiting for cargo, so we have introduced an "arrival reservation system" that has been successful in reducing this waiting time. For store delivery trucks, we inspected and revised driver working hours on all 550 routes, improved depots (delivery relay points), and created a system to ensure that working-hour caps are respected on all routes. To make our logistics network sustainable going forward, we will continue efforts to operate in a way that can earn the trust of transport companies and be their partner of choice.

Standardized operations at approximately 2,200 stores nationwide

Store operations are thoroughly standardized based on manuals. This makes it possible to operate stores using a small number of employees; specifically, one store manager and about 6-10 part-time employees (M-employees). The manuals provide easy-to-understand explanations of all the work necessary for store operation, from customer service and cash register operations to product arrangement, display, and cleaning procedures. The store manager runs their assigned store to ensure efficiency and in line with sales forecasts, amount of product arrivals, and similar factors.

Additionally, stores throughout Japan are organized in blocks for each area. About five to six stores are managed by one block manager. The block manager, while concurrently serving as the store manager of their own store, is responsible for improving sales for the entire block and providing guidance to store managers under them.

The thorough standardization made possible by our manuals and block management allows us to achieve high efficiency and productivity at our stores.



Sales floor management with clearly-defined roles

Sales floor management at all stores is becoming more standardized and sophisticated, with each specialized department receiving a role and working with the other departments in a timely manner. This support from these departments allows stores to focus on sales. The Shop Dressing Department is responsible for designing the layout of sales floors and the development of display fixtures. The Merchandise Department, in the role of controller, comes up with ideas for displays and the way products are presented on the sales floor. Furthermore, the Sales Planning Department is responsible for central management of promotion development schedules and sales floor settings, which serves to integrate products, sales floors, and sales promotions. From there, block managers perform on-site checks of the sales floors at stores in their assigned areas and give instructions for adjustments that will lead to more efficient and complete sales floor management.

Proper inventory management through analysis of product trends

Inventory management for all stores is led by the Merchandise Department, working in the role of controller. The controller uses product data managed for each stock keeping unit (SKU)—the smallest unit of inventory management—to analyze product trends from various angles, such as color, size, design, and region. Based on this analysis, the controller then moves any product from stores where it is not selling well to stores where it will sell better, which helps use up unsold stock. For products that deviate from the initial sales plan, the controller implements suitable price markdowns that will ensure that every last item is sold.

TOPICS

Strengthening internal branding and spreading product knowledge to sales floor employees

Before introducing a PB product, the Merchandise Department distributes materials for store managers that explain the products. We also provide explanations based on these materials during store manager meetings. However, this created an issue, as these steps alone were not enough to disseminate knowledge of the products to M-employees. Therefore, we created comics explaining our products, featuring our Shimamura Family characters, strengthening our internal branding among store employees. Recently, we have begun distributing manga in video format to stores, with M-employees serving as voice actors.



Product information briefing at a store manager meeting



Product explanation materials for M-employees

Medium-Term Human Resources Strategy 2027

As defined by its Management Mission toward employees, the Shimamura Group will strive to improve working conditions and the workplace environment so that each employee can achieve self-realization through work, lead a stable daily life, and have a meaningful role in society throughout their long life.

By encouraging the growth of each employee through investments in human capital, the Shimamura Group aims to deliver results, such as productivity, and added-value improvements and achieve sustainable 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

New personnel measures to build a “good company”

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

Human Resources Strategy to Realize the Medium-Term Management Plan

Ever since its founding, our Group has set the creation of a “good company” for employees as an important issue. We have furthered the development of systems for remuneration and personnel labor at a relatively high level for our industry, promoting the enhancement of benefits and employee training. On top of this, when formulating Medium-Term Management Plan 2027, we formulated and disclosed a new medium-term human resources strategy. This was necessary to “build a ‘good company,’” which is our Management Mission.

The basic policy of our medium-term resources strategy is defined as “building a ‘good company’ with comfortable and rewarding work conditions.” It is organized around four themes that we have decided to address. To create a more comfortable working environment, we are increasing employee satisfaction by expanding support systems for balancing work with childcare and nursing care. To provide more rewarding work conditions, we are introducing a talent management system as part of our digital transformation (DX) measures for personnel to visualize employee skills and preferences, and improving employee engagement through the development and allocation of human resources based on a deep understanding of each employee’s profile.

With these initiatives, we aim to create an environment in which employees can work with a sense of fulfillment and maximize employee performance, thereby achieving sustained improvements in the business performance of the Shimamura Group and enhancing corporate value.

Makoto Oota

Executive Officer
(Supervision of Personnel
Department and Education
Department)

Human Resources of the Shimamura Group

Characteristics of the human resources of the Shimamura Group

M-positioned employee (regular employee [part-timer])



System for M-positioned employees

M-positioned employees (regular employees [part-timers]) account for over 80% of the Group’s workforce. We established the system for M-positioned employees for part-time employees working in stores. This

unique system is designed to assist housewives and others who possess the ability to work but are unable to have a full-time career. Specifically, it incorporates a time-shift system to balance efficient working conditions and family life with stable working conditions and income.

Store manager promotion system

The Shimamura Group selects talented human resources from among M-positioned employees and appoints them as store managers. Currently, approximately 70% of our store managers come from this system. Employees who wish to become store managers display a higher level of motivation, which not only results in the growth of their skills but in the growth of the entire Company. Following a promotion to store manager, employees can work toward becoming block managers, a higher hierarchical position, or other appointments, ensuring a balance between a comfortable workplace and personal growth.

Voice of an employee



Kazuko Motomura

Product manager

Work history

Joined the Company as an M-positioned employee (5 years)
➡ Store manager (9 years) ➡ Block manager (current position)

I initially joined the Company due to the interest I had in its excellent benefits package and work-life balance. As I saw women working as full-time employees, I decided that I wanted to aim for a higher position as well. Our Company has a well-developed framework for employee education, including an educational curriculum and a trainer system, which provides opportunities for growth and support. Going forward, as a block manager, I will contribute to the development of the social infrastructure that is the provision of necessary apparel in each region of the country, as well as support future store managers and block managers.

R-positioned employee (full-time employee)



Workplace assignments tailored to employees’ aptitudes

Our Company continuously engages in the active recruitment of college graduates and promotes them to management positions. Job rotations form the basis of our human resources development. Employees are

assigned a variety of duties according to their abilities and aptitudes. Employees get to experience a wide variety of job posts in a short period of time within their first 10 years with the Company, and they are then assigned to the department for which they are most suited, for at least 5 years, which enables them to grow into specialists. Through job rotations, employees can acquire a broad perspective, knowledge, and expansive business skills in various departments, and grow into competent human resources who never stop challenging themselves.

Example of job rotations

Start with the Company ➡ Store employee (1.5 years) ➡ Store manager (2 years) ➡ Controller in the Merchandise Department (1 year) ➡ Personnel Department (1.5 years) ➡ Merchandise Management Department (2 years) ➡ Buyer in the Merchandise Department (2 years) ➡ Chief Buyer in the Merchandise Department (current position)

Voice of an employee

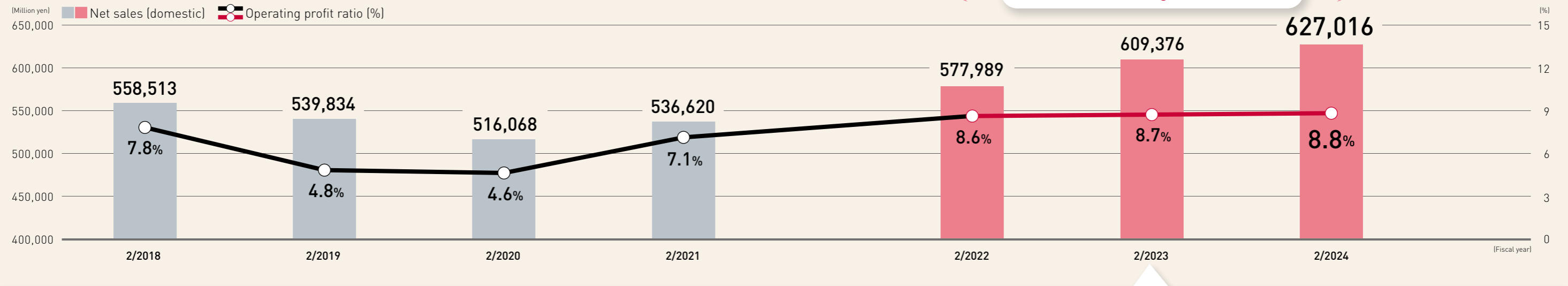


Atsushi Mashimo

Chief Buyer, Merchandise Department, Avail

I believe my experience in various departments has helped me grow my abilities. I am now able to establish priorities to deliver the best possible response to the issues I face. Through job rotations, I have had the opportunity to grow as a person by interacting with various people inside and outside the Company. I have learned the importance of honesty and humility, regardless of job position or age, and the importance of continuing to learn and grow every day. In the future, I would like to work in sales planning to be able to study what products customers really want. And, ultimately, I would like to gain a comprehensive perspective on our activities, from manufacturing to sales, and contribute to generating revenue for our Company.

Summary of Medium-Term Management Plan (2/2022–2/2024)



Reborn “Revitalization and Evolution”

Reborn completed over three years
Returned the Shimamura Group to its original brilliance while laying the foundation for the Group's next stage of growth

Revitalize what cannot be changed; begin to evolve what should be changed

To ensure that we operate in line with the Company's management philosophy, our management team has put forth a mission to “create a good company.” Since its founding, the Company has opened stores at steady rate, expanding business nationwide. However, from FY 2/2018 to FY 2/2020, the Company experienced a consecutive three-year decline in revenue and profits directly prior to the COVID-19 pandemic. This culminated in the first quarter of FY 2/2021, when the Company posted its first loss since its establishment.

Amid these circumstances, we formulated Medium-Term Management Plan 2024; the goal was a Shimamura “reborn,” to return it to its original brilliance and continue forward as a “good company” for all stakeholders. Reborn constitutes a basic policy established with the intention of looking within the Group, revitalizing that which cannot be changed and evolving that which should be changed.

Review of Medium-Term Management Plan 2024

Besides falling short of our target for the number of store openings in Japan, we achieved all of the numerical targets initially laid out in Medium-Term Management Plan 2024 ahead of schedule. As a result we created a foundation for growth toward the next plan.

Although our emphasis on store profitability and rigorous property screening caused us to fall short of our target for number of domestic store openings, we have reviewed our personnel and organizational structure in preparation for the next medium-term management plan, which will open the door toward more store openings.

KPI	FY2/2021 Results	FY2/2024 Targets	FY2/2024 Results	Assessment
Net sales	536.6 billion yen	595.0 billion yen ➔ Revised upward to 628.0 billion yen	627.0 billion yen	Target achieved
Operating profit	38.1 billion yen	49.3 billion yen ➔ Revised upward to 54.5 billion yen	54.9 billion yen	Target achieved
Operating profit ratio	7.1%	8.3% ➔ Revised upward to 8.7%	8.8%	Target achieved
Number of store openings (3-year period)	110 stores	100 stores	89 stores	Short of target
ROE	7.0%	over 7.0% ➔ Revised upward to 8.0% or higher	9.1%	Target achieved

Priority Issues Related to Basic Policy

Policy	Initiatives	Results	Assessment
Strengthen Product Appeal	Strengthen the product brand appeal	Achieved branding through PBs, JBs, and planned products (collaborations with influencers and products featuring popular characters)	Target achieved
	Strengthen supply chain	Established a production system that can hedge against risks through short-term production, fabric contracts, and line contracts	
	Strengthen individual store response according to store and regional characteristics	Improved products, sales promotions, and sales floors by region and store	
Strengthen Sales Power	Diversify sales promotion methods	Made segment-specific sales promotions involving minimizing the use of insert flyers and expanding digital advertising	Target achieved
	Improve sales floor layouts	Completed the transition to new layouts at all Shimamura, Avail, and Birthday stores	
Reinforce the Business Base and Foundations	Expand and strengthen e-commerce	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	Short of target
	Promote DX	Use of tablets improved efficiency, and utilization of customer management systems data will be pursued in the next medium-term management plan	
	Relaunch Divalo business, operator of specialty shoe stores	Opened two new stores under new store model, but profitability is an issue	
	Optimize expenses	Significantly reduced SG&A expense ratio by digitalizing advertising while actively increasing wages	

Efforts to Address Key Sustainability-Related Challenges (Material Issues)

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Priority issues	Indicator	Targets	Results	Assessment
E	Circular economy promotion	Complete recycling ratio of hangers*1	60.0%	Target achieved
	Reduction of GHG emissions	Zero product disposal*2	Zero product disposal	Target achieved
	Sustainable procurement	Purchase ratio of sustainable products*3 Usage ratio of sustainable auxiliary materials*4	35.3% 100%	Target achieved
S	Activities by diverse human resources	Ratio of women in management*5 Employment ratio of people with disabilities	17.6% 4.7%	Short of target
	Emphasizing the role of clothing infrastructure	-	-	-
	Evolution of governance	Number of non-implemented principles of the Corporate Governance Code	Zero non-implemented principles	Target achieved

*1 Plastic hangers in the Company's designated colors that come with products *2 The Company has currently achieved zero product disposal. We will continue these initiatives in the future.
*3 Shimamura business private brand (PB) CLOSSH *4 Shimamura business PB CLOSSH and PBs of other businesses *5 Ratio of women in management in the senior class and above

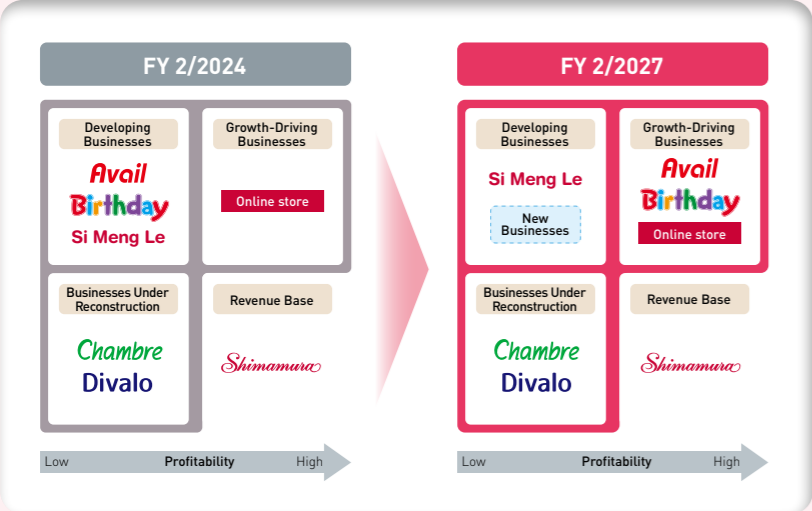
Challenges for Medium-Term Management Plan 2027

P.35~41

- Reconstructing Our Business Portfolio
 - Strengthening Our Product Appeal and Sales Power, Reinforcing Our Business Base and Foundation
 - Improving Our Capital Policy
 - Implementing ESG Initiatives
- ➔ Shift from an earnings structure rooted in the Shimamura business to a structure that secures earnings Groupwide
➔ Fine-tune initiatives implemented under Medium-Term Management Plan 2024 while taking on new challenges
➔ Improve capital efficiency and allocate managerial resources appropriately to increase sustainable growth and corporate value
➔ Further promote a sustainable “ESG response by Shimamura” through our main businesses

Business Overview

Approach to Our Business Portfolio



In our prior portfolio, our revenue structure was heavily rooted in the Shimamura business, while other businesses grappled with improving profitability and building a solid base.

Going forward, the Group will continue to restructure its business portfolio to achieve high profitability and growth. We intend to maintain the Shimamura business as a base of revenue with high profitability. Avail and Birthday will make the transition to growth-driving businesses as we work to improve their profitability. Chambre is being positioned as a business under reconstruction with the goal of achieving stable profitability, while Divalo, the other business under reconstruction, will build a foundation for growth. We will continue efforts to increase sales for Si Meng Le and our online store and we will challenge ourselves by launching new businesses.

Business Strategy Under “The Next Challenge”

We want to leverage our unique story to bring WAKUWAKU (excitement) to everyday life.

In recent years, customer tastes and preferences have become more diverse and the products that people need from us have become even more complex. Furthermore, we live in an age where positive customer impressions like “I’m glad I bought this” not only create repeat customers but also spread across social media. In times like these, I believe that a good story that communicates the purpose for having a product is key to inspiring customers to make a purchase. In Reborn, our previous medium-term management plan, one of our goals was to sell quality products at lower prices, another was to meet customer needs and fill gaps where they might say “I wish I had x” or “If only Shimamura had y.” I believe that customers appreciate our ability to provide a selection of products that bring excitement to their everyday lives, which we are able to do through accurate market research and thorough analysis of each target demographic’s needs.

In our new medium-term management plan, “The Next Challenge,” we intend to ramp up product appeal with items that meet the diverse needs of our customers and bolster our sales power through stories that motivate customers to buy these items. Doing so will increase the number of Shimamura fans and bring excitement to customers’ everyday lives.

It is also my hope that we develop hit products representative of Shimamura.



Iichiro Takahashi
Director and Senior Executive Officer,
Supervisor for the Merchandise
Department and Advertising Department

Shimamura Business

Description

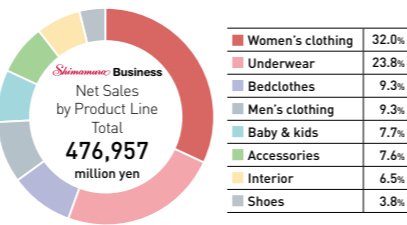
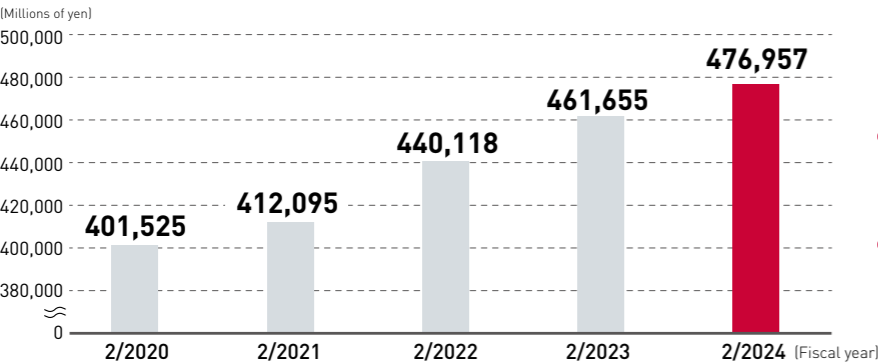
Of the Group’s businesses, the Shimamura business is one that enjoys strong, long-standing brand recognition, profitability, and sustainable growth. Shimamura clothing stores carry a comprehensive selection of about 40,000 items per store. These items include soft goods necessary for the whole family, ranging from the latest fashion trends to practical clothing, bedding, and interior goods.

Features of Product Lineup

In FY 2/2024 , women’s clothing accounted for approximately 32% of total net sales, while underwear accounted for approximately 24% and bedclothes accounted for approximately 9%.

We also worked to enhance our private brands (PBs) and joint development brands (JBs). In FY 2/2024, PBs accounted for 22.3% of the Shimamura business’ total sales, whereas JBs accounted for 8.5%.

Net Sales (Five-Year Period)



FY 2/2024 Highlights

- **70th Anniversary Project**
Conducted a successful rollout of limited edition items and expansion of sales promotions
- **High-Price Range PB CLOSSHI PREMIUM**
Net sales increased 37.7% year on year, and efforts to expand the business’ high-price range of items were successful
- **Expansion of Product Lineup**
Started offering sizes for people of short stature, pet-related products, and cosmetics and beauty-related products.
- **Taking on Challenges—Creation of New Pop-Up Stores**
Opened pop-up stores at events and urban commercial facilities to gain new customers and increase awareness



Takeshi Nakamura
Executive Officer
Supervisor for the Store
Operations Department

For a pleasant shopping experience, we will enhance our sales power with DX-driven store operations

Under “The Next Challenge,” our new medium-term management plan, the Store Operations Department will keep purchasing numbers at the same level, even when unit prices are on the rise. To do this, we will take advantage of our highly functional PB products, offered up by our employees in their own words and at competitive prices.

To support this effort, we will move forward with DX initiatives to resolve operational issues at our stores. Digitalization makes it possible to speed up store operations such as inventory searches and payments at the cash register. This means employees will be able to spend more time on the sales floor, making the customer’s shopping experience more streamlined and comfortable, thereby strengthening our sales power.

We also aim to operate our stores in a sustainable manner by establishing an in-house recycling system to minimize the environmental impact of our business. All employees have a shared understanding of the highly polished Shimamura Group system and that the work of every individual has a direct impact on the Group’s performance. It is with this understanding that we will pursue even greater results.

Creating excitement

Creating New Fans with Shimamura Pop-Up Stores

To date, Shimamura has expanded nationwide, but it has primarily focused on suburban areas. As a result, awareness of Shimamura remains low in urban areas due to a low number of stores. Therefore, in FY 2/2024 we began opening limited-time pop-up stores at department stores in Tokyo as a stepping stone toward opening stores in urban areas.

These pop-up stores primarily sold products made in collaboration with influencers, introduced Shimamura’s official social media accounts, and provided information on how to sign up for the Company’s app, all of which helped increase the number of Shimamura fans. We also introduced products for sale via the online store, encouraging people to visit the site.

In addition to department stores, we will work actively to open pop-up stores in station buildings, shopping malls, event venues, and similar locations. Moreover, the products available at the pop-up stores will be expanded beyond influencer collaboration projects to include products featuring popular characters, PBs, and JBs. These efforts will help increase awareness of Fashion Center Shimamura, which will pave the way toward opening highly profitable stores in urban areas.

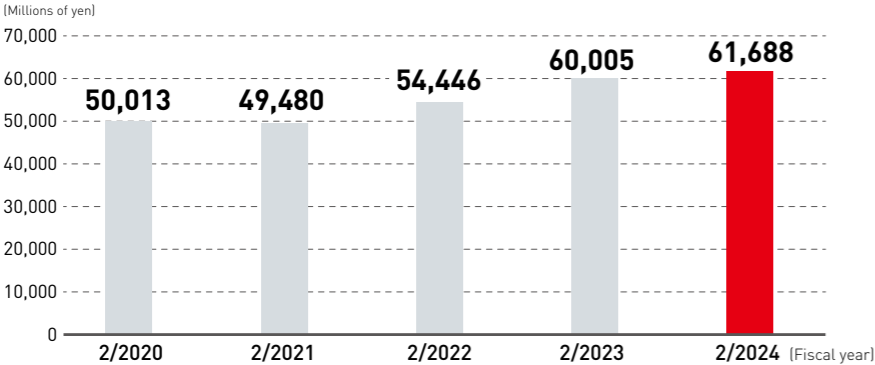


Avail Business

Description

The Avail business features stores that specialize in casual wear, targeting young men and women ranging from their teens to their 40s, offering total coordination of men’s and women’s apparel, shoes, and accessories. Based on the concept of “dressing in the hottest trends,” Avail offers a wide range of fashion styles, from the latest trends to the tried and true basics, all at reasonable prices.

Net Sales (Five-Year Period)



FY 2/2024 Highlights

- **Enhancing our Ability to Find Trendy Items**
Buyers resumed overseas research to enhance our ability to find trendy items to be offered as JB's
Ratio of JB items (ratio of net sales) 43.9%
- **Offering Better Character-Based Products**
Analyzed social media and researched into theme parks and pop-up shops, then selected and planned products featuring the most talked-about characters.
- **Ramped Up Urban and Suburban Store Efforts**
For urban stores, Avail stepped up its influencer projects and expanded its line of trendy products.
For suburban stores, Avail expanded its selection of products featuring popular characters, including limited edition items.

Creating excitement

Gaining New Customers with a Popular Product Lineup

In the Avail business, we are expanding our offerings of products featuring popular and original characters. In our previous medium-term management plan, we created a team to draw up plans for character-based products and stepped up information sharing between the Merchandise Department and the Sales Planning Department in an effort to strengthen product appeal and sales power. These efforts resulted in products featuring popular characters such as “Chiikawa,” a character from a popular manga series, and various Sanrio characters. In addition, the introduction of original, Avail-exclusive products helped gain new customers and increase sales.



Takashi Nakahira
Director and Executive Officer

Business Strategy Under “The Next Challenge”

Under Reborn, the previous medium-term management plan, the Avail business adopted the concept of “dressing in the hottest trends.” Under that banner, the business focused on offering stores with close ties to their local communities, serving as places where customers could enjoy shopping for everything from the latest fashion trends to products featuring popular characters, all at reasonable prices, with hopes that these customers would share their excitement with others. Specifically, the Avail business worked to strengthen product appeal and sales power by launching four JB's targeting different preferences. As a result, JB's have become a pillar of sales for the Avail business.

Under the new medium-term management plan “The Next Challenge,” we will expand and evolve JB products beyond apparel to include fashion accessories and shoes to provide total coordination. We also plan to challenge ourselves by creating a new product lineup, acquiring new customers such as people in their early teens and people of short or tall stature. Additionally, we will increase sales outside of brick

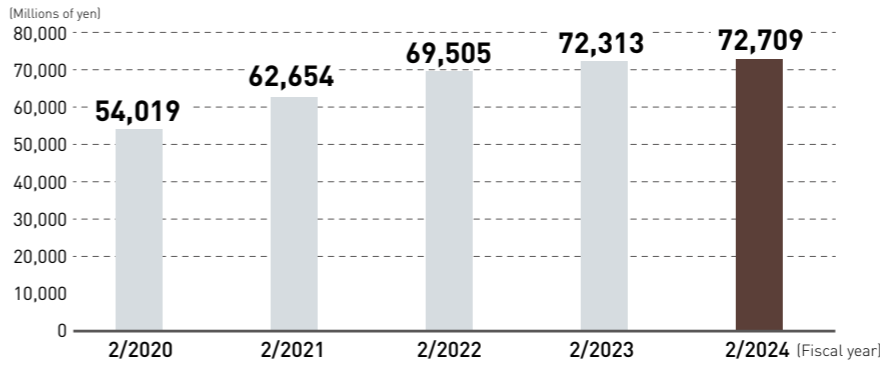
and mortar stores by taking advantage of our online store to promote advance sales and sales of online store exclusives, and by increasing the numbers of items available for purchase via the store. We will also establish an OMO (Online Merges with Offline) system that leverages the Shimamura Group’s strengths, namely its network of approximately 2,200 stores and its logistics system that allows customers to pick up items they have reserved online at a physical store.

Birthday Business

Description

The Birthday business features stores specializing in items for babies and children, with a wide range of products for every situation, from childbirth to childcare to elementary school. These products run the gamut from clothing to miscellaneous goods and large childcare items, as well as original products exclusive to Birthday. As a result, Birthday stores are able to provide carefully selected products that are high quality, sophisticated, and highly functional.

Net Sales (Five-Year Period)



FY 2/2024 Highlights

- **Expanding Original Products**
Expanded the development of high-quality, sophisticated PB's and JB's
Ratio of PB and JB items (ratio of net sales) 30.6%
- **Increasing the Number of Gift Shoppers**
The number of people shopping for gifts increased 30% year on year, thanks to stepping up product development and revamping gift materials
- **Addressing Changing Consumption Trends**
Held fan meetings and roundtable discussions to elicit feedback from key consumers—parents— which could be fed into product design.
- **Ramping Up Digital Sales Promotions**
App memberships grew to 940,000 and the number of followers on the official Instagram account grew to 730,000.

Creating excitement

Fun on the Sales Floor with Seasonal Events

We believe that customers want the Birthday business to deliver a fun shopping experience. To achieve this, we endeavor to keep our sales floors feeling fresh by maintaining short cycles between seasonal events, during which we update our sales floors for seasonal items and our in-store promotions. As part of our sales promotions, we promote mutual customer flow between our brick and mortar stores and online store by creating a digital catalog for each seasonal event and by using our physical stores to direct customers to the online store.



Hajime Ueda
Director and Executive Officer

Business Strategy Under “The Next Challenge”

As its catchphrase says, for the Birthday business “every day is a birthday” and it is working to create stores with solutions for every occasion, whether its preparing for a new child or graduating from elementary school. In our new medium-term management plan, “The Next Challenge,” we will use the brand power we built up over the course of the previous plan to develop original products that address all aspects of childbirth and childcare. Additionally, we plan to offer a wide range of products, from soft goods to hard goods, by taking advantage of the expanded sales network provided by the online store. We also intend to expand our premium line with added-value products, which will help meet the demand for gifts related to childbirth and child care. Successful implementation of these initiatives hinges on good customer service at our stores. Therefore we will systemize our employee education system, which will deepen employees’ knowledge of our products and improve how they interact with customers. This will increase our value as a part of childcare infrastructure in local communities.

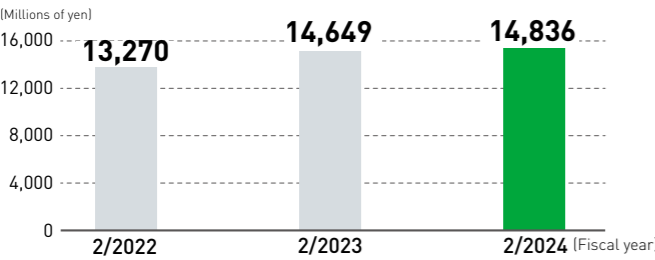
Customer feedback is a wellspring for added value in our products. In the case of the Birthday business, which handles products related to babies and children, we plan to build a portal site to share useful information about raising children and act as a platform for communication. With the feedback we gather through this site, we will be better able to strengthen product appeal and sales power. On the back of these efforts, Birthday will establish a position as a comprehensive children’s goods specialty store that handles highly sophisticated, highly functional products, and will fulfill its role as a growth driver for the Group.

Chambre Business

Description

The Chambre business features stores that specialize in miscellaneous goods and women’s fashion. It offers a wide range of products, including miscellaneous goods, interior goods, apparel, and fashion accessories, and provides customers with several lifestyle options. Chambre stores are also full of items that make for excellent gifts.

Net Sales (Three-Year Period)



FY 2/2024 Highlights

- **Gaining New Customers**
Enhanced our influencer collaboration projects with JB outerwear.
- **Expanding Product Lineup in New Categories**
Expanded into new categories such as food, beverages, and gift sweets
Expanded range of products with popular characters and widened our target age range.
- **Enhancement of Product Management and Store Operations**
Introduced controller and block manager system



Business Strategy Under “The Next Challenge”

The Chambre business is based on the concept of “delivering comfort and happiness to daily life”. For “The Next Challenge,” the Group’s medium-term management plan, we will launch new JB products and expand the range of categories and sizes we handle, increasing the points of contact between customers and the Chambre business and ultimately meeting a wide range of needs. We will continue to strengthen our gift options, focusing on apparel, fashion accessories, and beauty products, and will continue to help people celebrate their special someone’s special day, 365 days of the year.



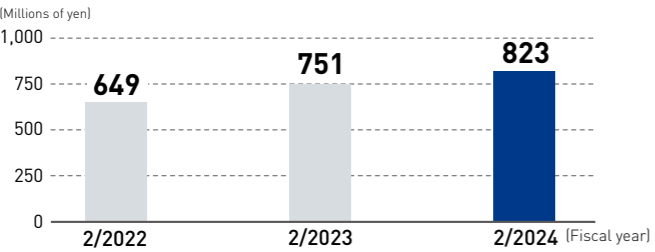
Masao Isoyama
Executive Officer

Divalo Business

Description

The Divalo business primarily targets women in their 20s to 50s, offering a lineup of outerwear, clothing, accessories, and shoes to offer customers total coordination options. In addition to shoes for women, Divalo also offers a wide range of shoes for men and children, providing a shopping environment for the whole family.

Net Sales (Three-Year Period)



FY 2/2024 Highlights

- **Opening of Second New Model Store (Yokaichi City)**
Opened a Divalo store under a new model that adopts the concept of “shoes + outerwear + fashion accessories”
- **Expanded Lineup in New Categories and Upgraded the Presentation of Special Event Sales Floors**
Expanded range of sizes and started handling products in new categories
Strengthened coordination between setting up special event sales floors and sales promotions to match customers’ annual purchasing habits
- **Improvement of Customer Service Skills**
Worked on acquiring specialized knowledge such as fitting techniques and hospitality



Business Strategy Under “The Next Challenge”

The concept of the Divalo business is “using shoes as a way to bring new experiences, value, and enjoyment to everyday life.” Under that concept, we strive to develop products that will anticipate and meet customers’ potential needs, and then display these products for customers to purchase. To do this, we plan to improve the “completeness” of our sales floors, which will allow customers to fully envision settings where our products can be used. However, we provide more than just shoes—under our new model, we offer a complete lineup of “shoes + outerwear + fashion accessories” for every occasion, making our stores a space where customers have the chance to discover new fashion possibilities. We also intend to strengthen our offerings for head-to-toe coordination of outerwear and shoes according to the latest trends, making us stand out from other stores.



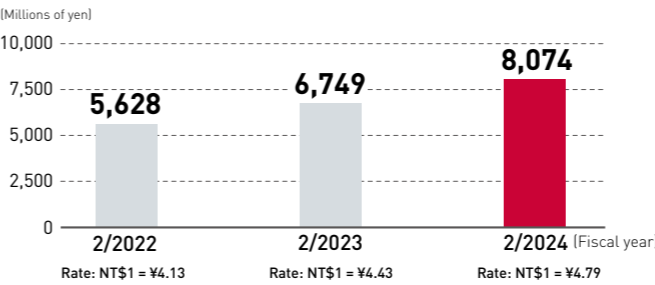
Kiyoshi Fujioka
Executive Officer

Si Meng Le Business

Description

The Si Meng Le business, which operates comprehensive clothing stores in Taiwan, follows the same concept as Shimamura in Japan. From the latest trendy fashion to practical apparel, bedding, and interior goods, Si Meng Le offers affordably-priced clothing that the whole family can use in their daily lives.

Net Sales (Three-Year Period)



FY 2/2024 Highlights

- **Wider Range of Original Products**
Offered Japanese PBs and JB’s as well as local Taiwanese PBs, standing out from the competition
Ratio of original products (ratio of net sales) 60.4%
- **Expanding Product Lineup in New Categories**
Expanded lineup of sports and business products while adding out-door products as a new category
- **Ramping Up Digital Sales Promotions**
Recruited influencers to raise awareness of Si Meng Le and gain new customers.



Business Strategy Under “The Next Challenge”

Si Meng Le is working to expand its product lineup, which includes moving into new categories, pulling business from other competitors. This strategy includes expanding its lineup of products designed in Japan as well as Si Meng Le’s original PBs, while also adding Korean fashion items as a new category. As for sales strategies, in addition to enhancing sales promotions by utilizing influencers, we will develop layouts for stores based in urban areas and reconstruct our typical suburban layouts to help us develop displays and presentations suited to the local Taiwanese population. We will upgrade store operations by promoting DX through the introduction of new tablet devices and related efforts to improve operational efficiency and customer convenience.



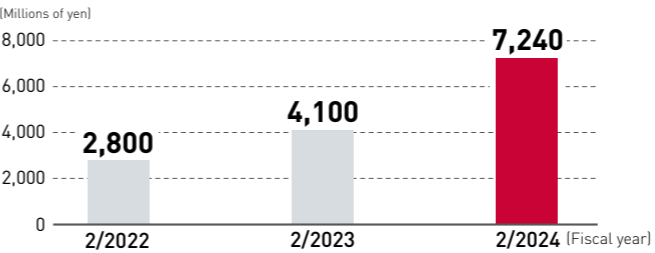
Shintaro Seki
Executive Officer

E-Commerce Business

Description

The objective of the E-Commerce business is not only to increase sales at our online store, but also to increase sales at existing brick and mortar stores by setting up a mutually beneficial relationship where online shoppers are directed to physical stores and vice versa. Additionally, by utilizing our existing store delivery logistics network, we are able to reduce costs when it comes to product delivery, thereby improving the operational level of our unique low-cost e-commerce service.

Net Sales (Three-Year Period)



FY 2/2024 Highlights

- **Enabling Pickups at Shimamura Group Stores Nationwide**
Enabled pickups of online store orders at any Group store
Note: excludes Divalo stores
- **Wide Variety of Payment Methods**
Added d Pay and deferred payment options to help diversify payment methods
- **Faster Delivery Times and Home Delivery of Large Items**
Began system of direct shipping from supplier warehouses to customers’ homes

Note: Online store sales are recorded as a percentage of the sales of the Shimamura, Avail, Birthday, and Chambre businesses.

Business Strategy Under “The Next Challenge”

In addition to accepting regular orders through the online store, we have expanded our system in the E-Commerce business to include production of pre-ordered items on a made-to-order basis, allowing us to deliver products to even more customers. In addition, we will use purchasing data from both brick and mortar stores and online stores collected via the Group’s apps to provide personalized recommendations tailored to a customer’s preferences. At the same time, we will offer coupon campaigns for eligible products. Put together, these efforts will improve customer satisfaction and increase customers’ lifetime value (LTV).



Tsuyoki Saito
Executive Officer



Long-Term Management Plan 2030

Formulation of Our Long-Term Vision

The Shimamura Group will continue to expand both domestically and globally, with its efforts rooted in being a "good company" for all stakeholders. Our goal is to enrich people's lives through the sale of apparel, fashion accessories, shoes, and interior goods. At the same time, we aim to serve as a part of social infrastructure by ensuring local customers have access to a steady supply of clothing—a daily necessity—helping stabilize and improve consumer lifestyles. We also intend to tackle ESG issues to create value for stakeholders and help make a sustainable society a reality.

With these basic policies in mind, and to achieve long-term, sustainable growth, the Board of Directors looked at the potential risks and opportunities presented by conditions inside and outside the Group while taking into account policies for realizing the Group's Long-Term Vision. After much deliberation, they formulated Long-Term Management Plan 2030.

Shimamura's Ideal State

Bringing WAKUWAKU (excitement) to everyday life

We will bring fun to everyday life by offering WAKUWAKU (exciting) products and services to our customers in each region, expanding our shares in the business area by driving up performance in existing stores, and making active efforts to open new stores.



Policy

Under the ethos of becoming a "good company" for all stakeholders, the Shimamura Group contributes to the stability and improvement of consumer life as a social infrastructure that stably supplies clothing, which is a daily necessity, to local customers. Moreover, we aim to realize a sustainable society by creating value for all stakeholders through our initiatives to solve ESG issues.



Numerical Targets

Net sales	Gross profit ratio	SG&A expenses ratio	Operating profit ratio
Over 800 billion yen	35%	25%	10%



Medium-Term Management Plan 2027

Basic Policy

"The Next Challenge (Pursuing Further Growth)"

To realize our long-term vision, we have formulated a new Medium-Term Management Plan spanning from FY 2/2025 to FY 2/2027. 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.

Toward a New Stage of Growth

Over its three-year period, the previous medium-term management plan, titled "Reborn," lived up to its name and helped return the Shimamura Group to its original brilliance. At the same time, it laid the foundation for the Group's next stage of growth.

The theme of our new medium-term management plan is "The Next Challenge," which captures our goal of new growth for the Shimamura Group. Over the three years of the plan, every employee in every department will put their creativity to work in taking on challenges and making the strengths of the Shimamura Group all the more robust. We intend to draw upon the knowledge and know-how built up over our history to try new methods and frameworks that match shifts in technology and in the social environment.

This same three-year period is also crucial for achieving our long-term management plan. Bearing this in mind, we will continue to challenge ourselves to ensure the continued growth of the Company.

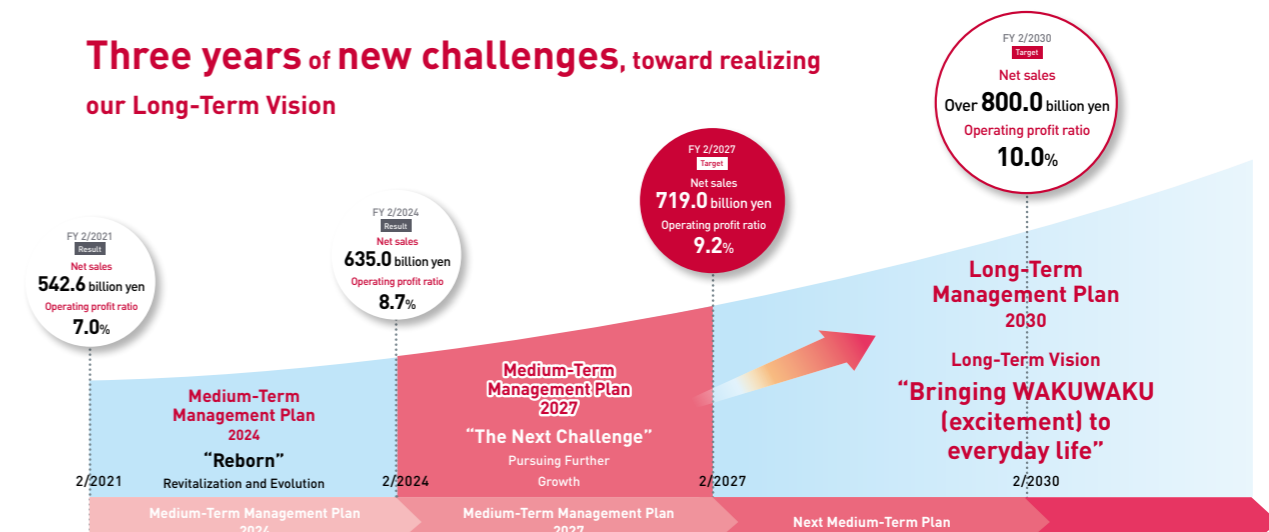
Numerical Targets (Consolidated)

We plan to expand sales by elevating existing stores and ramping up new store openings. We will also improve profitability by reorganizing our earnings structure from one centered on the Shimamura business to one that ensures earnings Groupwide.

Net sales	Operating profit	Operating profit ratio	ROE Approx.	Domestic store openings (3-year period)
719.0 billion yen	66.0 billion yen	9.2%	8.0%	150 stores

Positioning of 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

Three Key Measures

The Long-Term Management Plan highlights three key measures aimed at realizing our Long-Term Vision. To carry these out, Medium-Term Management Plan 2027 has been fitted with measures of its own.

Three Measures for Realizing Growth



Growth Strategies

Expand further by elevating existing businesses and entry into new businesses

Specific actions

Reconstruction of business portfolio	<ul style="list-style-type: none">Elevate non-Shimamura businesses and enter into new businesses
Strengthening of product appeal	<ul style="list-style-type: none">Boost brand power and increase store loyaltyBroaden product lineup to expand range of target customersUtilize more sophisticated data analysis to strengthen product development
Strengthening of sales power	<ul style="list-style-type: none">Utilize our customer management system to promote individualized marketing based on factors such as gender, age, purchasing history, and so onImprove product displays, presentation, and customer service skills
Expansion of store openings, relocations, and renovations	<p>Number of store opening (3-year period): 150 stores Number of store renovations (3-year period): 150 stores</p> <ul style="list-style-type: none">Ramp up store openings in urban areasOpen pop-up stores to increase awarenessRenovate to improve store loyaltyRelocate stores to optimize dominant strategy (concentrated store openings in specific areas)Utilize fashion malls to increase profitabilityExpand stores to facilitate broader produce lineupsIncrease the number of employees working in development and store reconstruction to facilitate more store openings and renovations
Expansion of e-commerce business	<p>E-commerce net sales: 11.0 billion yen E-commerce ratio: 1.6%</p> <ul style="list-style-type: none">Implement product strategy (conduct planning for e-commerce-only products and increase handling of products that complement in-store lineups)Promote an Online Merges with Offline (OMO) strategy to expand mutual use of e-commerce and brick and mortar storesOperate a unified e-commerce site for the Shimamura Group
Entrance into new business overseas	<ul style="list-style-type: none">Establish overseas business via cross-border e-commerce

Reinforcement of the Business Base and Foundations

Create a stronger Shimamura Group through DX-driven productivity boosts, our human resource strategy, and reconstruction of the supply chain

Specific actions

Implementation of medium-term human resources strategy for a good company	<ul style="list-style-type: none">Create an organization that helps achieve long-term management plansCreate a satisfying work environmentMaximize employee performanceImprove diversity, equity, and inclusion
Increase in productivity through digitalization	<ul style="list-style-type: none">Improve store opening placements through trade area analysisOptimize products, sales promotions, and sales floorsUtilize apps in customer service measuresRecommend optimization measuresDigitalize of store work
Reconstruction of supply chain	<p>Specific measures related to product procurement</p> <ul style="list-style-type: none">Increase purchasing by the Import DepartmentReduce purchasing costs by increasing production in the ASEAN regionRevise production system and disperse countries of production to hedge risks <p>Specific measures aimed at rebuilding our domestic logistics network</p> <ul style="list-style-type: none">Construct new Transfer CentersRelocate existing Transfer Centers

Initiatives to Solve ESG Issues

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

Specific actions

Circular economy promotion	<ul style="list-style-type: none">Complete recycling ratio of hangers 75.0%*1Complete recycling ratio of plastics 50.0%*2
Reduce GHG emissions	<ul style="list-style-type: none">Continuation of zero product waste*3GHG emissions (Scope 1 and 2) 60% reduction (compared with FY 2/2014)
Sustainable procurement	<ul style="list-style-type: none">Purchase ratio of sustainable products 40.0%*4Continuation and evolution of suppliers' CoC compliance structure
Activities by diverse human resources	<ul style="list-style-type: none">Ratio of women in management 23.0%*5Employment ratio of people with disabilities 5.0%
Emphasizing the role of clothing infrastructure	<ul style="list-style-type: none">Sales target 130 million yen*6Implementation of traveling sales and acceptance of shopping toursExpansion of online store
Evolution of governance	<ul style="list-style-type: none">Promotion of discussion over the growth strategies and capital policyContinuation and evolution of risk managementFostering of successorsEnsuring the diversity and appropriate scale of the Board of Directors

*1 Plastic hangers in the Company's designated colors that come with products
*2 Transparent plastic for product protection used at the time of delivery (made of polypropylene)
*3 Shimamura has currently achieved zero product disposal. We will continue these initiatives in the future.
*4 Private brand (PB) products across all businesses *5 Ratio of women in management in the senior class and above
*6 Total sales from traveling sales, shopping tours, and online store for the elderly

Store Opening Strategy for Increasing Scale

We intend to ramp up store openings in an effort to increase scale. In addition to our dominant strategy, which is currently focused on suburban areas, we are also enhancing store openings in urban areas, with plans to open a total of 150 stores over the next three years. We will also renovate a total of 150 stores over the next three years with the aim of boosting sales at existing stores and increasing store loyalty by improving customers' shopping environments.

Number of store openings (3-year period)

150 stores



Ramp Up Store Openings in Urban Areas

To date, we have employed a dominant strategy, which entails concentrated store openings in specific areas, with an emphasis on suburban areas. Going forward, we will ramp up stores in densely populated urban areas, where the Shimamura Group previously veered away from. As a precursor to opening brick and mortar stores in these areas, we will open pop-up stores, which present fewer risks, in order to increase awareness of the Shimamura brand, build a fanbase, and entice customers to our e-commerce site.



Hakata Bus Terminal store



Pop-up store at a department store

Pop-up stores at events

Number of stores renovated (3-year period)

150 stores

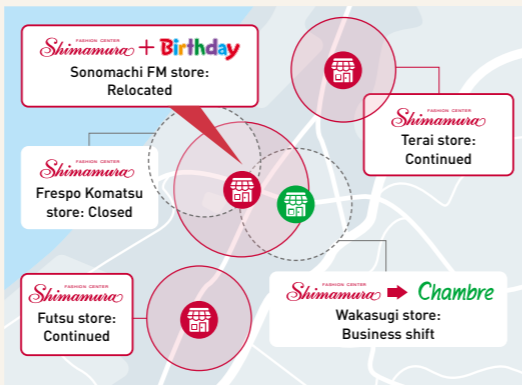


Renovate to Improve Store Loyalty

Up to this point, renovations were focused on stores with the highest sales, but from now on we will focus on renovating stores that offer the best return on investment, regardless of sales volume. In addition, the act of updating store equipment with the most up-to-date models means that these renovations will help the environment. Moreover, to respond to changes in the commercial environment, we aim to re-establish our dominance through relocation, and expand our regional share by developing multiple businesses.



Interior renovations



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

Increase Added Value Through Digitalization

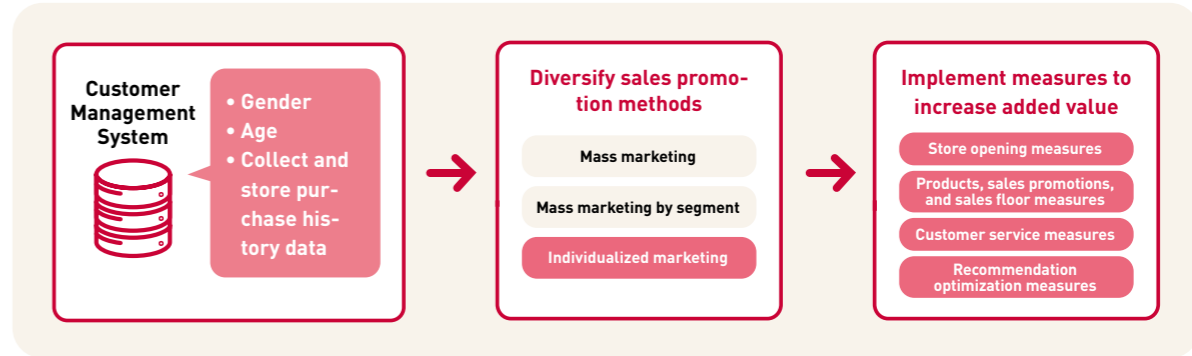
Digitalization of Store Work

We remain committed to digitalizing our store operations. The introduction of cashless registers, automatic change dispensers, and cleaning robots will streamline money management and maintenance, simplify store operations, and reduce labor costs. Additionally, we will work to reduce SG&A expenses by promoting digitalization as part of advertising, which includes digital point of purchase marketing.



Customer Management System

The data accumulated via our customer management system will give us the means to tailor sales promotions to individual customers, make updates to distribution areas for insert flyers, and reorganize sales floors. By enhancing the functionality of our app, such as its customer service and recommendation features, customers will use the app more and enable us to gather a greater amount of data.



Our OMO Strategy and Efforts to Enhance our E-Commerce Business

We have expanded our e-commerce business thanks to our OMO strategy, which involves the mutual use of brick and mortar stores and e-commerce channels. In the future, we intend to enhance this strategy further by taking advantage of the data from our customer management system for use in sales promotions. Moreover, instead of each business operating its own e-commerce site, as has been the case to date, we plan to unify these sites under the Shimamura Group banner in FY 2/2026. This action will allow users to shop across our various businesses and improve customer convenience.

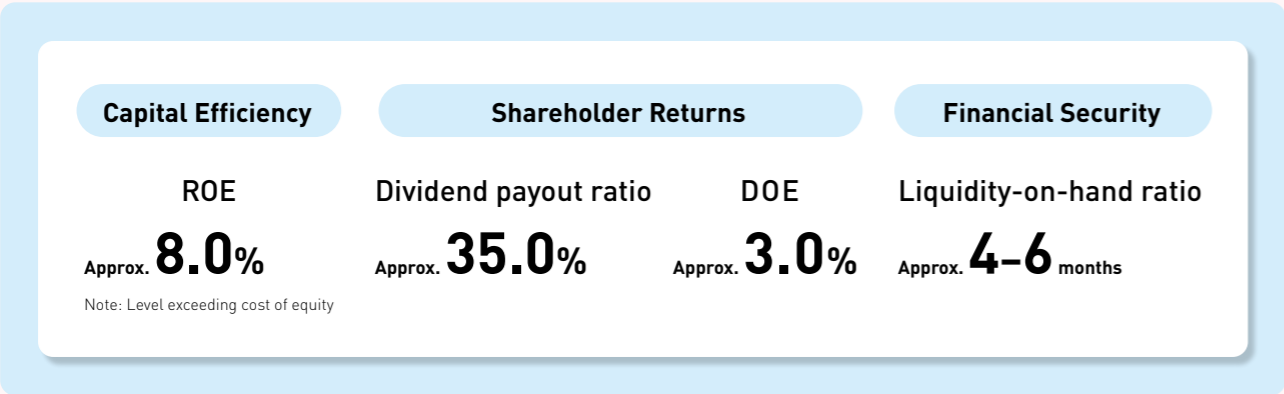


Capital Policy

Basic Policy

We aim for the appropriate allocation of managerial resources to increase corporate value and achieve sustainable growth. Notably, we intend to boost allocation toward growth investment, which will promote growth for the Shimamura Group while facilitating stable, long-term returns to shareholders and all other stakeholders.

KPIs

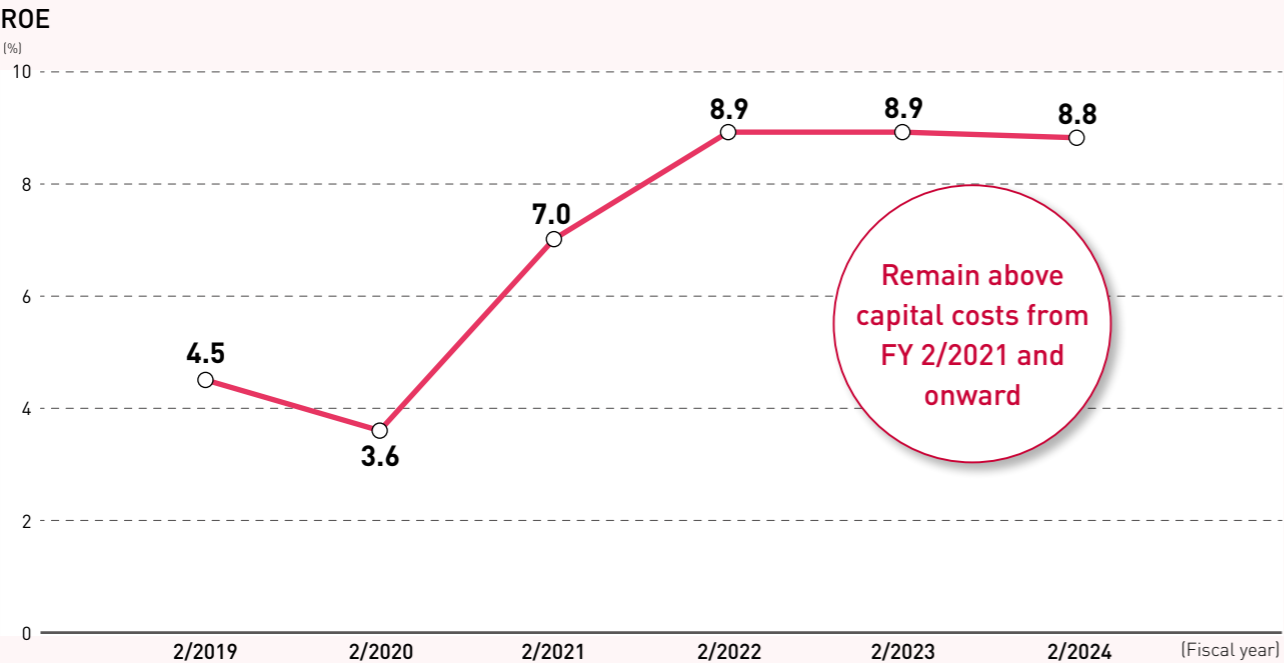


Measures to Conduct Management Mindful of Capital Costs and Stock Prices

ROE remains at around 9.0%, exceeding capital costs. However, issues are also coming to light in the form of concerns that accumulated internal reserves may lead to a deterioration in capital profitability, and the question of how to appropriately allocate management resources toward further increasing corporate value. In response, we will allocate roughly half of our management resources to growth investments aimed at expanding business scale, and will allocate other management resources appropriately toward other purposes, such as raising our dividend payout ratio to roughly 35.0% to bolster shareholder returns. At the same time, we will also fine-tune our initiatives by maintaining our dialogue with investors.

Internal Reserves: Maintain Suitable Funds on Hand for Risk Preparation and Mobility

In addition to preparing for economic downturns and other risks, we will keep enough funds on hand to facilitate proactive growth investments and establish a stable financial base.

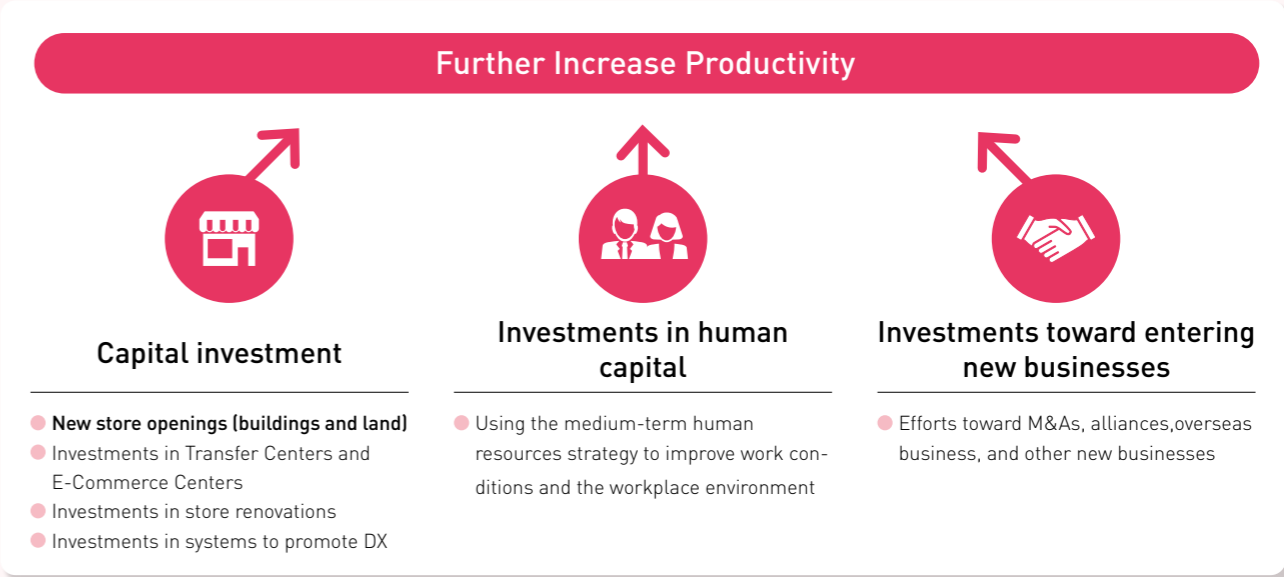


Growth Investment: Shift Toward Investments in Sustainable Growth

As a general rule, we make growth investments to expand the scale of our business, and will use them to improve the quality of our stores, products, human resources, and DX efforts, and to raise productivity. The sum of these efforts will improve Group performance. During the previous medium-term management plan, growth investments were an extension of existing investments, amounting to about 10–20% of management resources. In Medium-Term Management Plan 2027, however, we will increase this to 50% of management resources.

This will allow us to invest in the right amount of sustainable growth. In addition to investing in new store openings, we will also increase investment to strengthen our foundations, such as investing in Transfer Centers, E-Commerce Centers, and store renovations.

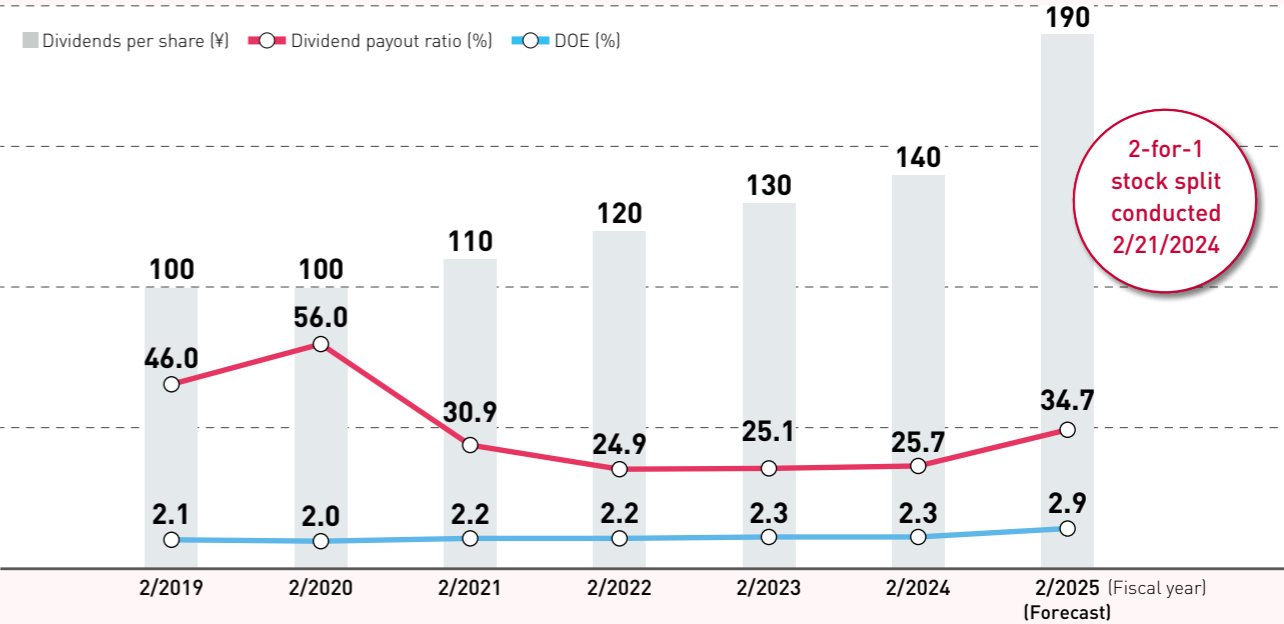
Main Uses of Growth Investment



Shareholder Returns: Stable, Stronger Returns to Shareholders

Our basic stance is to increase dividends continuously by improving business performance each fiscal year and to provide stable returns to shareholders. In addition, the inclusion of DOE as an indicator ensures we will be able to provide stable returns even in the event of temporary fluctuations in business performance. Although we conducted a stock split effective February 21, 2024, by maintaining the standards of the shareholder benefit plan after the stock split, we have effectively expanded the plan.

Note: On February 21, 2024, Shimamura Co., Ltd. conducted a 2-for-1 common stock split. Dividends for FY 2/2019 to FY 2/2024 have been calculated on the presumption of this stock split being carried out.



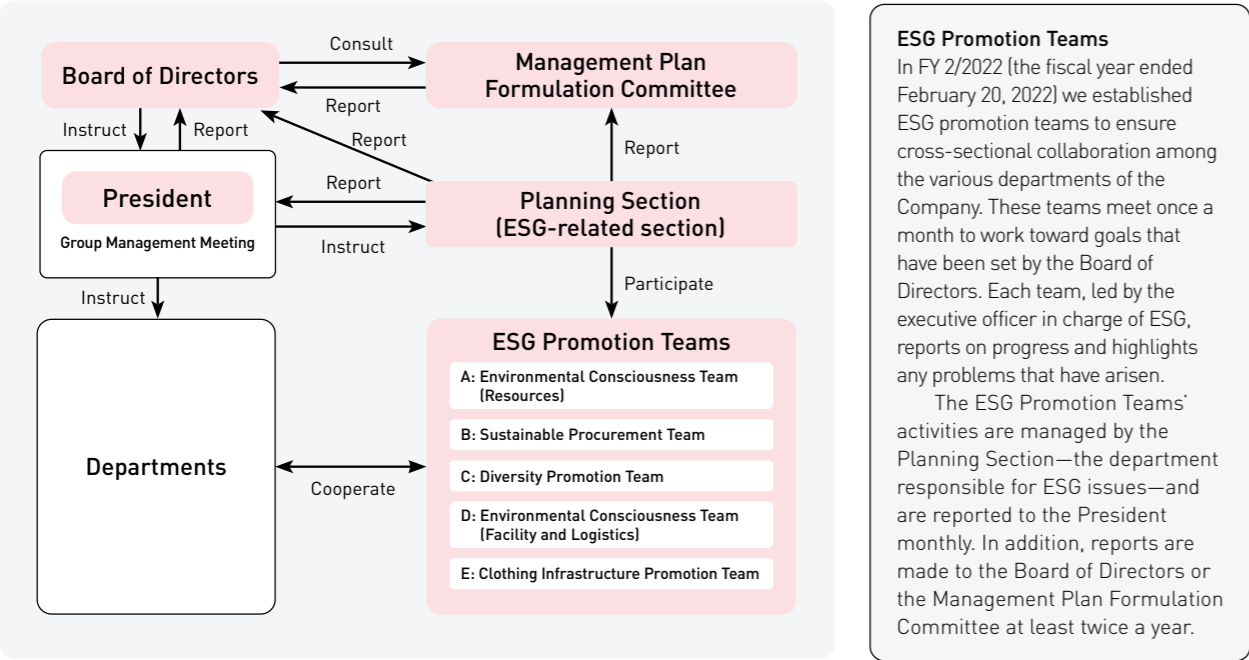
Basic Policy

Based on our mission of building a “good company” for our employees, customers, business partners, shareholders, and society, the Shimamura Group is promoting a sustainable “ESG response by Shimamura” through our main businesses in order to realize a sustainable society.



Sustainability Promotion System

The Shimamura Group engages in sustainable activities in order to tackle ESG issues in accordance with the basic stance laid out in our sustainability policy. First, the Management Plan Formulation Committee deliberates on defining themes for ESG issues, establishing a process for resolving those issues, and setting numerical targets. The Board of Directors then makes a decision based on these deliberations.



ESG Promotion Teams
In FY 2/2022 (the fiscal year ended February 20, 2022) we established ESG promotion teams to ensure cross-sectional collaboration among the various departments of the Company. These teams meet once a month to work toward goals that have been set by the Board of Directors. Each team, led by the executive officer in charge of ESG, reports on progress and highlights any problems that have arisen. The ESG Promotion Teams' activities are managed by the Planning Section—the department responsible for ESG issues—and are reported to the President monthly. In addition, reports are made to the Board of Directors or the Management Plan Formulation Committee at least twice a year.

Sustainability promotion system initiatives
<https://www.shimamura.gr.jp/en/sustainability/systems.html>

Priority Issues Related to Sustainability (Material Issues)

In order to realize a sustainable society, the Shimamura Group positions various issues related to the environment, society, and governance at each stage of the supply chain as management issues and takes action to resolve these issues. Our management philosophy and mission are in line with the SDGs advocated by the United Nations, and we believe that our corporate activities and efforts to solve issues will contribute to the achievement of the SDGs. We believe that nine of the 17 SDGs are particularly relevant to us. We have incorporated six of them into our list of material issues.

Material Issues, Targets, and Initiatives

We have set the following long-term targets for FY 2/2030 and medium-term targets for FY 2/2027. In addition, initiatives from FY 2/2025 are listed below.

	Material Issues	Related SDGs	Long-Term Targets (FY 2/2030)	Medium-Term Targets (FY 2/2027)	FY 2/2025 Initiatives
Environment	Circular economy promotion		Reduce plastic waste	Complete recycling ratio of hangers 75.0%*1	● Hanger recycling ● Develop domestic recycling centers ● Expand complete recycling policy by increasing use of recyclable hangers
				Complete recycling ratio of plastics 50.0%*2	● Plastic bag recycling ● Conduct complete recycling of transparent plastics used for product protection ● Implement measures to raise awareness of shopping bag recycling and achieve our target collection rate ● Small delivery bags ● Expand complete recycling by stabilizing the domestic supply of new small delivery bags (bags made from recycled shopping bags collected from stores) while initiating supply overseas
	Reduction of GHG emissions	11 Sustainable consumption and production 12 Responsible consumption and production 13 Climate action 14 Life below water 15 Life on land	Continue with zero product disposal; evolve process	Continuation of zero product waste*3	● Product collection and recycling ● Conduct research toward projects promoting product reuse ● Make preparations to implement experimental recycling initiatives
			Reduction of GHG emissions	GHG emissions (Scope 1 and 2) 60% reduction (compared with FY 2/2014)	● Make scheduled replacements of LED lighting and air conditioners ● Verify the effectiveness of sustainable stores ● Implement measures against heat in Transfer Centers (heat shield coating on roofs) ● Implement modal shift and expanded use of EVs trucks
	Sustainable procurement		Develop and promote sale of sustainable products	Purchase ratio of sustainable products 40.0%*4	● Expansion of sustainable products ● Increase the ratio of sustainable products purchased across all businesses ● Develop materials for sustainable products and expanded sustainable product lineup ● Expansion of sustainable auxiliary materials ● Expand ratio of JB products that utilize sustainable auxiliary materials ● Implement risk hedging and cost reduction measures at auxiliary material production sites
			Demonstrate respect for human rights in supply chains	Continuation and evolution of suppliers' Code of Conduct compliance system	● Human Rights and Environmental Compliance in the Supply Chain ● Promote more thorough, higher-quality management related to compliance with CoC at PB factories ● Research methods for checking and evaluating energy and water usage at PB factories and reduction techniques
Society	Activities by diverse human resources	5 Gender equality 8 Decent work and economic growth 11 Sustainable cities and communities	Promote diversity	Ratio of women in management 23.0%*5	● Increase in the number of women in management ● Promote a curriculum aimed at training female executives ● Increase the number of role models and make improvements to the personnel system ● Promotion of work-life balance ● Improve the efficiency of head office operations ● Review work system in response to more diverse employment patterns
				Employment ratio of people with disabilities 5.0%	● Increase in employment of people with disabilities ● Increase the number of employees to match the scale of sales ● Increase the number of certified professional life counselors for people with disabilities
	Enhancement of roles of the clothing infrastructure	16 Sustainable partnerships 17 Networks for resilience	Enhance the role of clothing infrastructure (mainly for vulnerable shoppers)	Sales target 130 million yen*6	● Implementation of traveling sales ● Increase the sophistication of product lineup ● Created a framework for national implementation
				Implementation of traveling sales and acceptance of shopping tours	● Acceptance of shopping tours ● Establish a workflow for product request and arrangement powered by purchasing data analysis ● Create a framework for national implementation
Governance	Evolution of governance	16 Sustainable partnerships 17 Networks for resilience		Expansion of online store	● Expansion of online store ● Expand product lineup for the elderly ● Conduct research on selling to various facilities
					● Promotion of discussion over the growth strategies and capital policy ● Continuation and evolution of risk management ● Fostering of successors ● Ensuring the diversity and appropriate scale of the Board of Directors

*1 Plastic hangers in the Company's designated colors that come with products *2 Transparent plastic for product protection used at the time of delivery (made of polypropylene)
*3 The Shimamura Group has currently achieved zero product disposal. We will continue these initiatives in the future. *4 PB products across all businesses
*5 Ratio of women in management in the senior class and above *6 Total sales from traveling sales, shopping tours and online store for the elderly

Environment



Basic Policy

The Shimamura Group engages in environmentally-friendly business activities. These include the reduction of waste, consideration for the environment in product procurement, and a reduction in CO₂ emissions.

Promoting Resource Recycling

The Shimamura Group has been proactively engaged in resource recycling since FY 2/2008. We use our own logistics to bring together recyclable resources generated through the operation at our stores, such as hangers, plastic bags, shopping bags, cardboard, and miscellaneous or used paper, and gather them at Transfer Centers, where they are then transferred to recycling centers where recycling operators recycle them.

Furthermore, since FY 2/2020, we have been working on complete, closed-loop recycling. This is a process where we turn hangers, plastic bags, and shopping bags generated in-house into raw materials (pelletizing) at designated facilities in Japan, which we can then reuse. With this initiative, we are promoting a circular economy that does not generate plastic waste and is therefore mindful of the global environment.

Complete Hanger Recycling



* CO₂ reduction effects are calculated based on the following emission coefficients.
Guidelines for Calculating Total Greenhouse Gas Emissions Ver. 1.0 and Electricity Supplier Emission Coefficients for Fiscal 2022, Ministry of the Environment, December 22, 2023; Japan's GHG Emissions and the Reduction Effects from Recycling, p.8, "Main flows of plastic resources and CO₂ emission intensity by resin type", Tokyo Metropolitan Government Bureau of Environment.

TOPICS About Shima Eco



Shima Eco represents the environmental initiatives of the Shimamura Group.

The Shima Eco logo incorporates motifs of the earth and of circulation, expressing our desire to protect the environment and create a sustainable society.

The logo is used to introduce Shimamura's environmental initiatives to customers and all other stakeholders in an easy-to-understand manner.



Details regarding Shima Eco (Japanese only)

<https://www.shimamura.gr.jp/sustainability/goodcompany.html>

Development and Expansion of Sale of Sustainable Products

We define "sustainable products" as those made with materials for which chemical substances are appropriately managed, such as organic cotton, and materials that save resources, such as recycled textiles. We are working to develop and sell these sustainable products to reduce the environmental impact of our product procurement.

Sustainable products deliver safety and security to our customers by making the source of raw materials and our production process traceable (ensuring traceability).



Examples of Sustainable Products
FIBER DRY Inner Wear

Shimamura's Standard for Sustainable Products

Standards for sustainable materials: Products are made of materials that meet third-party certification standards or are recognized as sustainable materials by the Shimamura Group.

Standards for inclusion of sustainable materials: Products are assumed to meet the standards of the third-party certification or the standards of the respective manufacturers.

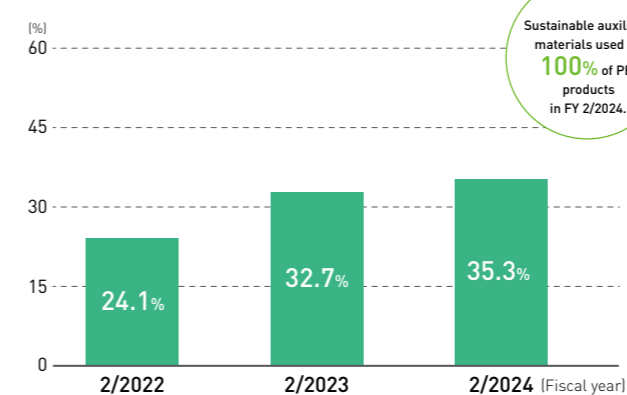
Confirmation of Traceability

The Merchandise Management Department confirms traceability for sustainable products based on route certification documents.

Examples of route certification documents

- Raw material certificates and raw material manufacturer certificates
- SC (Scope Certificate)
- TC (Transaction Certificate), etc.

Purchase Ratio of Sustainable Products



We strive to realize a sustainable society by addressing material issues, which are priority issues related to sustainability. As part of our medium-term goal to promote sustainable procurement, we have set a target of increasing our purchasing ratio of sustainable products to 40.0%* by FY 2/2027.

Until FY 2/2024, calculations for the purchasing ratio of sustainable products only covered Shimamura's private brand (PB) CLOSSH, but this scope will be expanded to include PB products from all businesses as we pursue our FY 2/2027 target. Going forward, we will increase the purchase ratio of sustainable products across all our businesses and will focus on developing and expanding our lineup of sustainable products in order to further achieve sustainable procurement.

* PB products across all businesses

Reduction of Waste

One of our ESG issues involves continuing to achieve zero product disposal and evolving our processes. Therefore, our basic policy is to sell every item, down to the very last article of clothing. We do not dispose of excess inventory.

In order to achieve zero product disposal, it is important to order the right amount of products and to manage inventory to ensure each store receives the right items in the right quantity. To achieve this, we utilize a central buying model, meaning that the Merchandise Department at our head office covers the entire process, from product procurement to product management. Working in the role of buyer, the Merchandise Department purchases necessary items in line with sales plans, in amounts carefully calculated to prevent excessive ordering and unsold goods. The department also serves as controller, analyzing product trends at every store on a weekly basis, then managing the amount of inventory that each store needs, according to its sales plan, by transferring products between stores or reducing prices as required. From FY 2/2025, we will begin collecting clothing that customers no longer need as an experiment, extending our zero product disposal goal to after products are sold.

TOPICS Reducing GHG emissions using a Modal Shift and EV Trucks

In FY 2/2013, we implemented a modal shift for transport between Transfer Centers, opting for marine and rail transport instead of trucks.

Moreover, in FY 2/2023 we introduced EV trucks on some of our delivery routes. Put together, these constitute a stronger effort to reduce GHG emissions across our entire domestic logistics network.



Disclosure in Accordance with TCFD Recommendations

The Shimamura Group believes that responding to climate change is an important management issue. Accordingly, we are promoting in-house, rational initiatives to reduce greenhouse gases. In addition, we have endorsed the TCFD recommendations so that institutional investors who perform ESG investment can make appropriate investment decisions. In keeping with these recommendations, we disclose information under four thematic areas: governance, strategy, risk management, and metrics and targets.

Governance

Role of the Board of Directors

ESG policies are determined by the Board of Directors following deliberations by the Management Plan Formulation Committee, a nine-member committee entirely composed of directors that acts as an advisory body to the Board of Directors. To us, ESG issues are management issues. This is why the Management Plan Formulation Committee, which is tasked with discussing management plans, also deliberates upon ESG issues.

At least twice a year, the Board of Directors receives reports on the efforts of each department and each ESG Promotion Team as well as any results. It then monitors and supervises progress. The Board of Directors also makes decisions on important matters such as ESG-related management strategies and management planning.

Role of the Group Management Committee

The policies determined by the Board of Directors are communicated to each department and are then incorporated into their respective policies. Moreover, the ESG Promotion Teams, in which executive officers participate, deliberate on policies that should be tackled across department lines and then proceed with their implementation in cooperation with each department. As a general rule, each ESG Promotion Team meets once a month, and the outcomes of these meetings are reported to the President by the Planning Section. The teams then receive instructions from the President as necessary.

Management Strategy

Scenario analysis

Climate change risks include “transition risks” caused by changes in policies and laws and regulations, and “physical risks,” such as damage to assets due to an increase in natural disasters. We have conducted a scenario analysis by highlighting a scenario in which decarbonization efforts take hold (decarbonization scenario) and a scenario where climate change continues to progress (climate change progression scenario), identifying the impacts of major climate-related risks and opportunities on our business, and formulating response strategies.



Please see our website for details about our scenario analysis
<https://www.shimamura.gr.jp/en/sustainability/environment03.html>

Major Risks and Opportunities Identified Related to Climate Change

Classification		Major Changes [Time Period]	Description	Level of Impact	
				1.5–2°C	2.7–4°C
Transition Risks	Policies and Regulations	Introduction of a carbon tax and GHG restrictions (short–long term)	Increase in product procurement costs as a result of rising raw material prices and logistics costs due to an increase in taxes and energy prices	Very large	Large
			Increase in operational costs for store and Transfer Center operations (heating and lighting, etc.) due to higher taxes and energy prices	Very large	Large
			Increase in product procurement costs as a result of changes to raw materials and packaging materials due to laws and regulations on materials with a high environmental burden	Very large	Large
	Reputation	Delays in addressing environmental issues (short–long term)	Fall in reputation among stakeholders due to delayed response to environmental issues	Very large	Large
Transition Opportunities	Products and Services	Changes in consumer behavior (short–long term)	Increase in opportunities to sell environmentally-friendly products due to heightened consumer awareness toward sustainability	Very large	Large
Physical Risks	Acute Risks	Increase in natural disasters caused by typhoons and heavy rains (short–long term)	Loss of sales opportunities due to suspended sales at stores in disaster-affected areas	Large	Very large
			Disruptions to the product supply structure due to suspended operations at Transfer Centers in disaster-affected areas	Large	Very large
			Increase in repair costs for stores and Transfer Centers due to damage to buildings in disaster-affected areas	Large	Very large
	Chronic Risks	Rise in average temperatures (long term)	Increase in product procurement costs due to a decrease in agricultural produce yields	Large	Very large
			Loss of sales opportunities due to reduced motivation for purchasing winter products as summers become longer and winters become shorter	Large	Very large
		Unstable precipitation (short–long term)	Increase in product procurement costs due to a decrease in agricultural produce yield	Large	Very large

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Financial Impact on the Company (assumptions for 2050)

Introduction of a carbon tax	Decarbonization scenario (1.5°C–2°C)	3,802 million yen	* Carbon tax 250 US\$/t-CO ₂ [NZE] * GHG emissions (FY 2/2024, Scope 1, 2): 100,481 t-CO ₂
	Climate change progression scenario (2.7°C–4°C)	2,053 million yen	* Carbon tax 135 US\$/t-CO ₂ [STEPS] * GHG emissions (FY 2/2024, Scope 1, 2): 100,481 t-CO ₂
Losses from disasters	Decarbonization scenario (1.5°C–2°C)	112 million yen	* 1.5 times the disaster rate compared with pre-Industrial Revolution level (SSP1-1.9, SSP1-2.6) * Losses from disasters (average FY 2/2015-FY2/2024): 97 million yen
	Climate change progression scenario (2.7°C–4°C)	202 million yen	* 2.7 times the disaster rate compared with pre-Industrial Revolution level (SSP3-7.0, SSP5-8.5) * Losses from disasters (average FY 2/2015-FY2/2024): 97 million yen

Response Strategy

Major risks and opportunities		Countermeasures
Risks	Increase in procurement costs	• Diversify risks by diversifying and decentralizing countries of production and suppliers (manufacturers, trading companies, and other companies from which we obtain products; approximately 600 companies) • Take early measures in cooperation with suppliers (early reservation of materials and changes to alternative materials) to ensure procurement of raw materials
	Increase in logistics costs	• Streamline logistics via in-house operation of Transfer Centers, in-house joint delivery, direct logistics and modal shift
	Increase in heating and lighting costs	• Introduce equipment to reduce power consumption (switch to LED lighting and energy-saving air conditioners) • Develop sustainable stores (introduce energy-saving equipment and increase the use of heat shielding and heat insulating materials)
	Loss of sales opportunities for winter products	• Motivate customers to make purchases for reasons besides the weather or temperature by enhancing ability to plan and propose trendy products and products featuring popular characters
	Loss of sales opportunities due to suspension of store operations	• Diversify risk through multi-store expansion (currently approximately 2,200 stores in operation) • Maintain business continuity plans (BCPs) that detail the systems and measures required to restore business
	Disruptions to the product supply structure due to suspended operations at Transfer Centers	• Maintain business continuity plans (BCPs) that detail systems and measures such as delivery routes in the event of a disaster
	Increase in repair costs due to building damage	• Maintain business continuity plans (BCPs) that detail the systems and measures required to repair and restore buildings • Consult hazard maps and similar resources as part of the store development process • Implement measures against disasters such as installing water barriers in stores susceptible to flooding
	Delays in addressing environmental issues	• Promote a circular economy for resources such as hangers and plastic bags • Continue promoting zero product disposal via product collection and recycling
Opportunities	Increase in sales opportunities of sustainable products	• Ramp up efforts to develop and promote the sale of sustainable products

Risk Management

The Planning Section, which is responsible for corporate planning and ESG, holds discussions with each ESG Promotion Team and departments that may face business risks in the future. Upon which, it works to understand the situation relating to risks and opportunities and reports its findings to the Management Plan Formulation Committee. The Management Plan Formulation Committee then deliberates upon any policies selected to respond to major risks, after which the Board of Directors decides upon them.

Metrics and Targets

We have established the following indicators to manage climate-related risks and opportunities. There are other indicators used to assess climate change that look at water, land, and other factors. However, we have little impact on water and soil pollution since we operate within the retail industry. Therefore, we have not included these other indicators.

GHG Emissions

[Unit: t-CO₂]

Fiscal year	2/2014	2/2023	2/2024
Scope 1	2,889	775	744
Scope 2 Location-based	180,956	96,170	96,971
Scope 2 Market-based	163,883	98,619	99,737
Scope 3	—	2,550,865	2,656,942

Scope 1: Kerosene, gas, and other fuels for air conditioners, fuel for forklifts used at Transfer Centers, and gasoline consumption of Company-owned cars (gasoline consumption of Company-owned cars is not included before FY 2/2014)
Scope 2 (Location-based): Electricity for stores, transfer centers, and the Head Office x National average coefficient
Scope 2 (Markets-based): Adjusted emission factor (periodic reports from specified business operators as stipulated in the Act on the Rational Use, etc. of Energy, excluding Scope 1)
Scope 3: Values determined using a simple calculation which uses the emissions intensity and expenditures cited from the Ministry of the Environment’s emission intensity database and IDEAv2

Indicators and Targets for Assessing Climate Change Efforts

1	GHG emissions (Scope 1 and 2)*1	60% reduction by FY 2/2027 compared with FY 2/2014
2	Amount of excess inventory waste	Zero
3	Complete recycling ratio of designated color hangers*2	75% in FY 2/2027
4	Complete recycling ratio of designated plastics*3	50% in FY 2/2027
5	Purchase ratio of sustainable products*4	40% in FY 2/2027

*1 Scope 2 is location based
*2 Plastic hangers in the Company’s designated colors that come with products (excluding hangers which are used repeatedly as fixtures)
*3 Transparent plastic for product protection used at the time of delivery (made of polypropylene)
*4 Private brand (PB) products across all businesses.



Basic Policy

The Shimamura Group promotes the creation of a comfortable and rewarding working environment and conditions for employees. We strive for continued development and growth together with our customers, business partners, and the community.

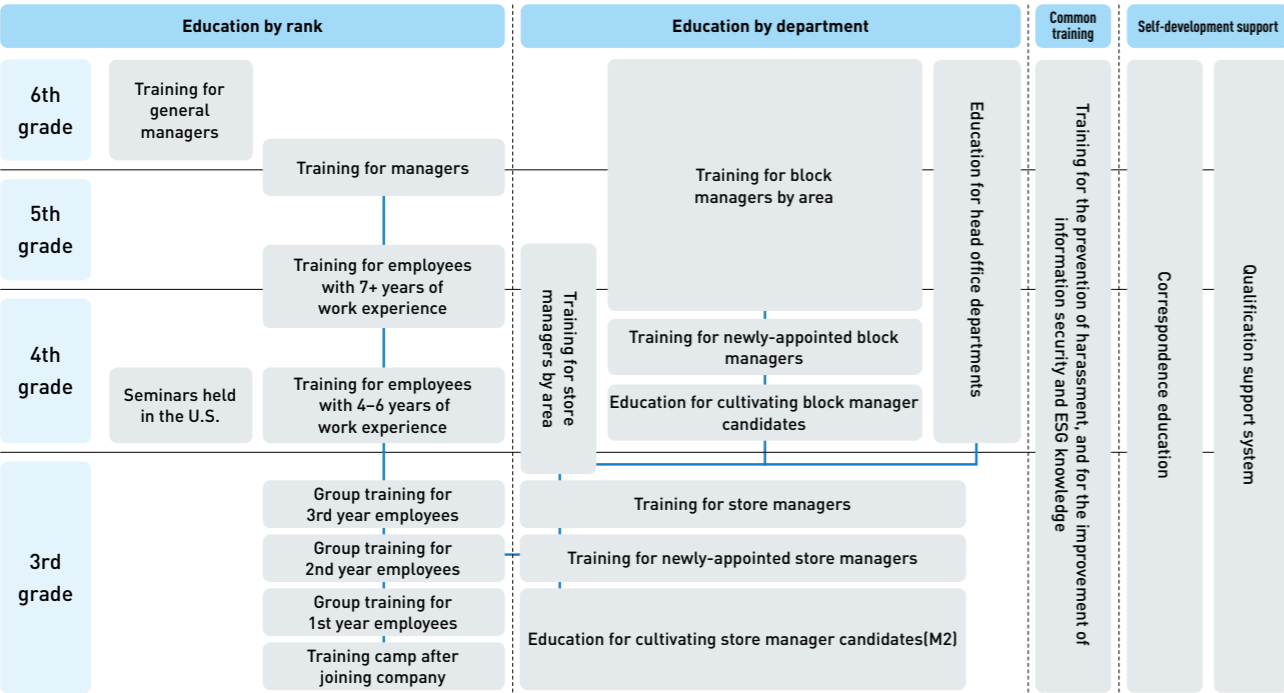
Medium-Term Human Resources Strategy 2027 P.24

Human Resource Development

We believe that the growth of each and every employee is indispensable for the prosperity of a company. In order to grow, employees must acquire knowledge and skills through workplace experience and on-the-job training. Furthermore, through off-the-job training, they are required to lay the foundation for personal growth by learning the necessary basic knowledge, ways of thinking, and ethics required of our employees. Through human resource development, the Shimamura Group supports the self-actualization of each employee through their work.

Educational System

The Shimamura Group classifies education by rank and content. We then systematically help employees develop according to their positions and duties. This system results in employees who can fully demonstrate their abilities and act on their own initiative, according to their department and roles. In order for employees to truly grow, it is essential to develop the abilities of each employee through activities that allow a person to expand their skills autonomously. We provide education and training and promote the development of the abilities of individual employees, working with them to increase their motivation to learn of their own accord.



- **Education by rank (new employee education, training for employees with 4 to 6 years of work experience, training for employees with 7+ years of work experience, training for managers, and training for general managers)**
We provide education by rank to full-time employees to help everyone improve their abilities.
- **Education by department**
We provide education by department, which allows employees to acquire more specialized knowledge and skills, raising their capability and making them more adept in executing their duties and the department more capable of reaching its work targets.
Work content varies by department. Therefore, education for each department covers the basic approach to work, the method of proceeding with work, and the specialized knowledge necessary to perform work in the respective department.
- **Self-development support**
We provide employees with opportunities for autonomous learning through correspondence education and the qualification support system (full-time employees only).

Promoting Diversity

The Group employs people with diverse backgrounds, including different ages, genders, employment statuses, disabilities, and so on. We intend to create an environment where each employee can demonstrate their capabilities, thrive in their respective workplaces, and create new values and principles, all of which will lead to the sustainable growth of the company.

Promoting Women’s Participation in The Workplace

Approximately 90% of our employees are women, and we consider promoting women’s participation within our workforce to be an important initiative. To enable women in management to play an even more active role at the Company, we have formulated a general employer action plan based on the Act on the Promotion of Women’s Participation and Advancement in the Workplace. As of February 2024, the ratio of women in management ranked section manager level or higher has increased to 17.6%. We have also established the Diversity Promotion Team within the ESG Promotion Teams and are moving forward with a variety of measures to achieve our goals.

TOPICS The Shimamura Women’s Empowerment Curriculum

As part of our efforts to create an environment in which women can play an active role, we introduced the Shimamura Women’s Empowerment Curriculum in FY 2/2024 with the aim of improving the capabilities of women in management. Using programs aimed at building the proper mindset and improving skills, we aim to improve the capabilities of women in management by increasing their motivation and providing them with the skills they need to aim for higher positions.



Employment of People with Disabilities

The Shimamura Group continues to employ people with disabilities with the aim of realizing a diversity-minded society. As of February 2024, 831 employees with disabilities are working at the Shimamura Group. The ratio of employment for people with disabilities is 4.78%, which exceeds the legally-specified employment rate. We have developed a system that allows us to recruit people with disabilities and to provide them with any needed support to help them perform their duties. Since FY 2/2022, we have recommended that block managers responsible for recruiting people with disabilities acquire a license as a professional life counselor for people with disabilities. Since February 2024, 331 employees have acquired this license.

Post-Retirement Employment

If an employee wishes to continue working after reaching the mandatory retirement age of 60, the Shimamura Group will continue to employ them as a rehired retired employee until they reach the age of 65. Upon reaching 65 years of age, if said employee wishes to continue working, they may continue to work until the age of 70, pending assessment and approval of their health and their motivation and ability to work.

Promoting Work–Life Balance

We undertake a variety of measures to create a rewarding work environment where all employees can balance their work and family lives.

- **Childcare leave and nursing care leave**
We have a system in place to support employees who are trying to balance their work with childcare or nursing care responsibilities.
- **Re-employment system (full-time employees only)**
Full-time employees who have been in management positions for more than three years and who will leave work due to marriage, childbirth, childcare, nursing care, or transfer of their spouse can apply in advance for use of the re-employment system for a period of 10 years after their leaving work.

Human Rights Policy

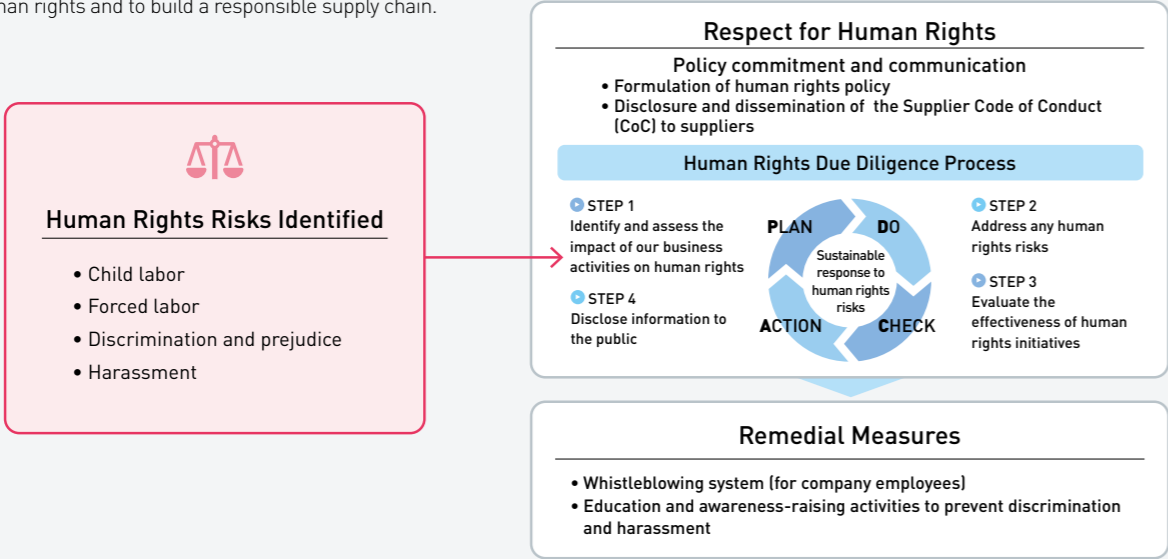
Basic Concept

- The Shimamura Group pursues management with respect for human rights as stipulated by its management philosophy. We recognize laws and regulations and international norms relating to human rights and strive to work alongside our stakeholders to realize a sustainable society where human rights receive their due respect.
- The Group understands that its business activities directly or indirectly affect human rights. After working to gain a true understanding of Japan's National Action Plan on Business and Human Rights, we have decided to support the UN Guiding Principles on Business and Human Rights and tackle respect for human rights as one of the priority issues for our corporate management.

Details regarding our human rights policy
<https://www.shimamura.gr.jp/en/sustainability/social04.html>

Human Rights Due Diligence

The Shimamura Group shall engage in human rights due diligence, ensuring that Group Companies understand the risks of human rights violations in their business activities, formulate preventative and mitigation measures, and develop the mechanisms for implementing these measures. The chief operator for human rights due diligence is the president of the Company. We shall not infringe upon human rights in any of our business activities. In addition, in the event our business activities have an adverse effect on human rights, we shall take the appropriate action to correct the situation. Moreover, in cooperation with our employees and our business partners, we shall strive to respect human rights and to build a responsible supply chain.



Human Rights Risk Response

Respect for human rights in the supply chain

The Shimamura Group and suppliers work together to ensure respect for human rights throughout the supply chain, based on the Shimamura Supplier Code of Conduct (CoC).

Respect for human rights in private brand factories

Employees from the Merchandise Management Department in charge of quality control visit factories that produce private brand (PB) products in order to check production control and to ensure that the CoC is properly adhered to in terms of the factory work environment and human rights.

Preventing Discrimination and Harassment

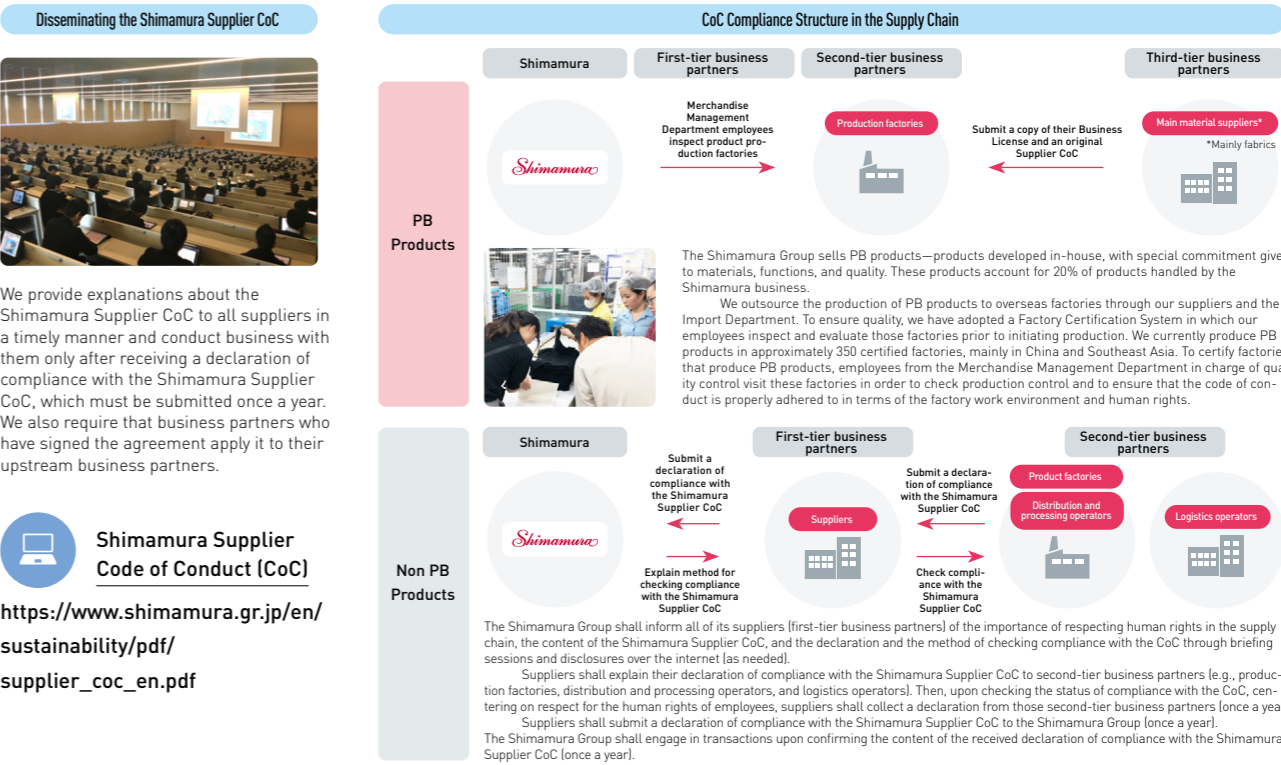
The Shimamura Group stipulates in the Work Regulations that the prevention of discrimination and harassment is a matter that all employees must strictly adhere to in their duties. In addition, we have stipulated in the Recruitment Regulations that we shall not discriminate according to nationality, age, gender, or other characteristics during recruitment.

- Method of informing employees
We work to prevent discrimination and harassment by providing anti-harassment training for managers at the store manager level and above on a regular basis.
- Whistleblowing system
We have set up a point of contact to accept inquiries and reports from employees. In the event of a problem, we take appropriate action. We also do not dismiss or otherwise disadvantageously treat those who have made reports or inquiries due to their reports or inquiries.

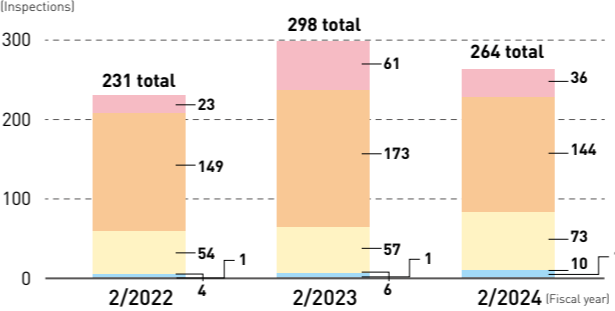
Supply Chain Management

There are several human rights issues occurring around the world. Companies are being strongly urged to fully fulfill their corporate social responsibilities by taking resolute steps to respect human rights, comply with laws and regulations, and protect the environment in their domestic and international supply chains.

The Shimamura Group recognizes the respect for human rights throughout its supply chain as an important ESG issue. Therefore, in 2019, we enacted the Shimamura CoC, and we are working in cooperation with our suppliers to respect human rights in our supply chain based on its content.



PB Factory Inspection Results (New Certifications + Certification Continuation)



Assessment		Description
Pass	S	An excellent factory that has established an organized control structure
	A	A factory with overall proper control despite some concerns
	B	A standard factory which performs basic controls despite concerns
Need re-inspection	C	A factory that can improve with guidance despite an insufficient control structure
Fail	D	A factory that has an insufficient control structure and is considered difficult to improve even with guidance

TOPICS Status of PB Factory Inspections

The Shimamura Group conducts human rights and environment-based CSR inspections at all PB production factories to ensure respect for human rights in the supply chain.

A fair evaluation is highly important for conducting an effective review. Therefore, in addition to conducting inspections based on the Group's own CoC compliance standards, which comply with the labor and environmental laws of each country, the Merchandise Management Department also interviews multiple local factory employees to ensure fair and effective inspections.

Factories that pass the inspection will be designated as "PB Certified Factories" and we will strengthen our efforts to improve these factories further. In addition, we point out any issues we find in factories that do not pass the inspections and offer support for improvements. In doing so, we are working to realize a sustainable society where human rights are respected.



Our Role as Social Infrastructure

As a part of social infrastructure in clothing sales, the Shimamura Group has constructed a dominant store network of approx. 2,200 stores and a proprietary distribution network to support those stores. This enables us to ensure a stable supply of products. In addition, we are working to improve convenience for local residents and create jobs in communities by opening multiple stores and opening stores in small commercial areas. Finally, we have developed a business continuity system so that in the event of a disaster or emergency we will be able to continue store operations to the greatest degree possible to support life in the community.

TOPICS Shopping Support Service “Shima Sapo”

The Shimamura Group provides a shopping support service aimed at bringing the enjoyment of shopping to those who do not live near a clothing store, those who lack the opportunity to go clothes shopping on a regular basis, or those who are living in facilities and have difficulty going clothes shopping.

We began offering this service in FY 2/2025 via our Fashion Center Shimamura stores (some stores excluded).

Traveling Sales

This is a shopping support service in which Shimamura goes to local government facilities and nursing care facilities to provide opportunities for both local residents and those living in facilities to enjoy shopping. Through this service, those who may find it difficult to go out can have the full experience of touching and handling the different articles of clothing.

Shopping Tours

Our shopping tours are designed to support shopping for those living in nursing care facilities or facilities for people with disabilities so that they can visit Shimamura stores and enjoy shopping.

We provide a service in which we open our stores one hour earlier and reserve them for the exclusive use of these patrons. This means it is possible for guests to shop at leisure before stores are officially opened, without having to worry about other customers.



Through the Shima Sapo program, we can both contribute to the local community and maintain our market share

In the future, stores will be forced to pull out of rural areas suffering from an aging and declining population unless these stores can increase their market share and maintain their profits. The traveling sales initiative was born out of employees' desire to contribute to the lives of local customers by boosting sales at these regional stores and helping them to survive.

Initially, we thought about implementing this in rural areas with ongoing depopulation, but we found demand in places closer to home. For instance, we heard from one adult day care service facility in Saitama Prefecture that when they surveyed their users about what they would like to do for recreation, the most common response was that they would like to go shopping at Shimamura with their families. That was the spark for our very first traveling sale.

After this first step and some further experimentation with the traveling sales idea, we began receiving requests from facilities for people with disabilities, hospitals with long-term inpatients, and local governments in depopulated areas. We were told that a survey of residents in one of these depopulated areas showed that many people wanted Shimamura to come to their location. This is due to the fact that the Shimamura Group has built up trust and credibility with local customers over the course of its 70-plus years of business.

Starting in February 2024, we have named the traveling sales and shopping tour initiative “Shima Sapo” and have set up the infrastructure to implement it via Shimamura stores across the country. We are also ramping up our e-commerce sales for nursing care and universal design products.

Anyone who helps out with the Shima Sapo program is treated to the sight of customers enjoying shopping with smiles on their faces. The experience is always topped off with a kind “thank you” from the customers. Gestures like these, brought on through Shima Sapo activities, reaffirm that our efforts in the retail industry bring joy to our customers and add something significant to the local community.



Yoshiteru Tsujiguchi
Director and Executive Officer

Outside Director Roundtable



Yutaka Suzuki
Outside Director

Tamae Matsui
Outside Director

Teiichi Murokubo
Outside Director

Revitalizing Shimamura and Reforming Governance Remaining a “Good Company” Going Forward

01 Shimamura’s continued work to be a good company and its goals for the future

Matsui In the 71 years since its founding, Shimamura has continued to build up its business performance and grow at a steady pace. I believe the reason the Company has continued to grow is because of its corporate culture, which is remarkably positive. Every single employee I encounter takes their job seriously and works in earnest. Creating a corporate culture is no easy task. There is an old Japanese business philosophy called *sanpo-yoshi*, which roughly translates to “three-way satisfaction” and means that a business should benefit everyone, be it the purchaser, the seller, or society. I believe that this idea is much in line with the Company’s core approach to business. I believe that the idea of creating a good company for all stakeholders has taken root in the Company’s culture because upper management has repeatedly and thoroughly instilled it in employees over the course of many, many years. I think Shimamura needs to cherish this kind of corporate culture going forward, while also working to make itself an even more vital part of society.

Suzuki I believe that a good company needs three key values. First, it needs to motivate its workers. Second, it needs to provide work that is rewarding. Third, it needs to instill the sense that being at the company is worthwhile. I feel that Shimamura checks all these boxes. All three manifest in the attitude each employee has toward their work. From the attitude of its employees, I can see that Shimamura is a good company.

For a company to grow in any major way, it needs to incorporate two concepts in its management: improving what people do

—which we could also describe as pursuing management efficiency and functionality—and valuing who people are inside. I believe that the Company has made steady progress toward the former, thanks to efforts under its previous medium-term management plan, *Reborn*, which enabled it to recover business performance and achieve record profits. In its upcoming medium-term management plan, *Next Challenge*, it will be important for the Company to remember the latter concept—valuing who people are—and to manage itself with even more care toward maintaining a good balance between the two concepts. It is easy for a company to say it values people and their feelings, but this is much more difficult to put into practice. That being said, I am confident that Shimamura can do it well. Shimamura conducts management like a company that values who people are, be they employees or otherwise, and has developed a corporate culture in kind. I hope that the company will continue to pursue being a truly good company that values management efficiency, functionality, and who people are inside.

Murokubo Shimamura celebrated its 70th anniversary in May 2023, and I feel that its presence in the world is becoming increasingly stronger. To me, what drives this is Shimamura’s willingness to work toward creating a good company as well as its unique practices.

The kind of good company Shimamura aspires to be is one that can bring happiness to all of its stakeholders, including employees, customers, business partners, shareholders, and society. For example, they have created a comfortable work environment for their employees and have put an emphasis on making employees’ work more rewarding. It is this kind of down-to-earth, solid

Outside Director Roundtable

management, coupled with a strong financial base, that has allowed Shimamura to continue its work to be a good company.

The unique practices I mentioned refer to Shimamura’s wide variety of mechanisms for creating value, such as its system for bringing products into its store and selling them day after day, its system for promoting talented part-time employees up the ladder to full-time store managers, and its use of manuals to improve operations and stimulate creativity and ingenuity. These practices are born out of the corporate culture cultivated over many years of addressing issues through independent thinking, problem-solving, and resolution.

Shimamura needs to maintain its focus on creating a good company and honing its unique practices in its push to achieve sustainable growth and further increase its corporate value.

02 Achieving the Goals of Reborn and Reforming Governance

Matsui The three years prior to the start of Reborn were a period of sluggish performance and one of the most difficult in the Company’s history. When business performance stagnates, many companies tend to focus on the results of their own departments, leading to a mindset of “compartmentalized optimization.” However, in Shimamura’s case, under the leadership of President Suzuki and the executive officers, the entire company worked together across departmental boundaries toward the common goal of recovering Shimamura’s performance however they could. The result was a remarkable return to form. Leading up to this revival, there were also significant improvements in governance, which lies at the heart of management. The Company has established advisory committees to the Board of Directors, and I believe the Nomination & Remuneration Committee, which is



mainly composed of outside directors, has been particularly effective in enhancing supervisory functions.

As outside directors, the shared mission of the three of us is to look to the future of Shimamura and send a clear message of what we think the Company needs to do to continue developing in a sustainable manner. That is why I believe we cannot be content to recommend “leaving things as they are”. We express our opinions freely, without any hesitation or worries about upsetting the others in the room, which means that discussions can sometimes become heated and there are frequent clashes. However, I feel that the management team is willing to take all of it seriously and has a strong desire to make improvements.

Suzuki The Board of Directors is a key driving force behind the Company and a driving force for growth. To move forward with decision-making that yields the best decisions yet maintains a sense of speed, Board meetings must be highly energetic spaces where participants can freely exchange frank opinions. A distinctive feature of Shimamura’s meetings is that it is easy for employees to openly express what they are thinking, meaning discussions tend to be naturally lively. In particular, over the three years of Reborn, there was a definite uptick in reporting and discussion regarding business execution at Board meetings. I think that taking part in such constructive discussion gave directors confidence that they could handle the tasks at hand. To date, Shimamura has followed a policy of in-house development, so I think there have been many opportunities for decisions to be made based on internal thinking. However, if the Company wants to hone its strengths further, I believe it needs to try and incorporate outside opinions through partnerships with other companies, or similar strategies. Shimamura has a strong corporate culture, with the ability to choose what will lead to growth and reject what will not, so I would encourage the Company to take up this challenge.

Murokubo When I became a director, I was surprised at how candidly Ms. Matsui and Mr. Suzuki stated during Board meetings their outsider opinions on the challenges the Company faces. These external opinions are extremely important and I believe they have also been effective in strengthening governance. In particular, over the past two years, we have enhanced Shimamura’s moving parts thanks to efforts to review various regulations and lay groundwork to support management. In FY 2/2024, the Company revised its risk management regulations in light of the rapidly changing business environment. I believe that by reviewing which items Shimamura recognizes as risks and clearly defining the countermeasures to be taken, the Company has also been able to up its level of disclosure to the public. There is an increasing clamor from outside the Company for initiatives that will raise corporate value, such as reducing capital costs and improving P/B ratio, but it is up to Shimamura to decide which initiatives to adopt and how to achieve growth. I hope I can support the Board of Directors, where these important decisions are made, by taking part in lively discussions and steering the Company toward the best courses of action. It is a duty that I take very seriously.



03 Shimamura’s Challenges for Accomplishing “Next Challenge”

Matsui For Shimamura’s new medium-term management plan, titled “Next Challenge,” we held in-depth discussions about what steps the Company needs to take for its next stage of evolution. I have many years of experience in human resources and I am convinced that the key business strategy is a human resources strategy. No matter how much digitalization and AI develop, it is people who make a company. For this very reason, I believe that a good mindset is extremely important, from the upper management to each and every employee. For this Medium-Term Management Plan 2027, the Company has developed a medium-term human resources strategy that will act as the policy for its Companywide human resources strategy. To actuate this strategy, we will need to keep up discussions on how to achieve overall optimization within the organization. I believe Shimamura should collect objectively quantifiable data to better understand the aptitudes of each employee, since this will better facilitate a human resources strategy with Companywide reach. As a first step, the Company is doing just this by collecting data on employees’ ability and characteristics. I think this puts Shimamura on the road to being a good company that is rewarding and easy to work for, with employee placement based on each individual’s abilities and aptitudes, optimized to a brand new level.

Suzuki When business is going well, it’s tempting to just keep doing things the same way. However, the important thing when it comes to increasing corporate value is a willingness to go beyond things as they are and challenge one’s self to grow. In that same vein, the theme of the new medium-term management plan, “Next Challenge,” was decided after thinking of what was most important for the Company after overcoming the challenges of the previous plan, Reborn.

By achieving its goals over the course of the previous plan, I think Shimamura was able to bring all of its employees together and in step. This amounts to a force that can potentially achieve major growth. I believe the key to this growth will be the ability to preside over management resources, including the allocation of resources to growth investments. As always, steady business-related investment into opening new stores, renovating existing stores, and similar endeavors will remain important, but if it wants to try to achieve real growth, the Company needs to consider how much it will invest into human capital and new businesses and do so in concrete terms.

As for how to use such strategic investments, the Company is considering M&As, new businesses, and overseas businesses as potential targets. However, with regard to overseas businesses in particular, there is still some bitterness over the experience of pulling out from China. For the time being, rather than diving into challenges headfirst, I think the Company should focus on improving the quality of information at its disposal and acquiring know-how toward establishing a business base overseas. If Shimamura can incorporate more outside opinions and ideas, it will have a clearer view of the next steps to take on the path toward growth.

Murokubo I would like to talk about this topic in terms of capital policy. At Board meetings we had heated discussions, with a wide range of opinions being expressed regarding the direction of shareholder returns, including forecasts of dividend amounts and the Company’s dividend payout ratio. As electric as these discussions may be, there is a shared underlying desire for all stakeholders to get the message that for Shimamura, a “good company” is one that is good for all stakeholders. Therefore, the goal has always been to provide appropriate returns to shareholders, and the Company has taken care never to neglect such returns. This includes steadily increasing dividends when business performance is favorable. I believe the new medium-term management plan presents a more concrete policy for shareholder returns than ever before.

Shimamura’s strength is its stable financial base, as can be seen from its debt-free management. On the other hand, sometimes the Company receives outside criticism that perhaps the amount of its retained earnings is too large. To date, the Company has been focused on recovering business performance, so there may not have been enough discussion about growth investment. Now, however, all officers are working swiftly to actively discuss where to direct growth investments. Shimamura now has the confidence and track record that comes with completing the previous medium-term management plan and restoring its performance. I, too, am confident that the entire company can come together and achieve the goals of the new medium-term management plan, Next Challenge.



Corporate Governance

Basic Concept

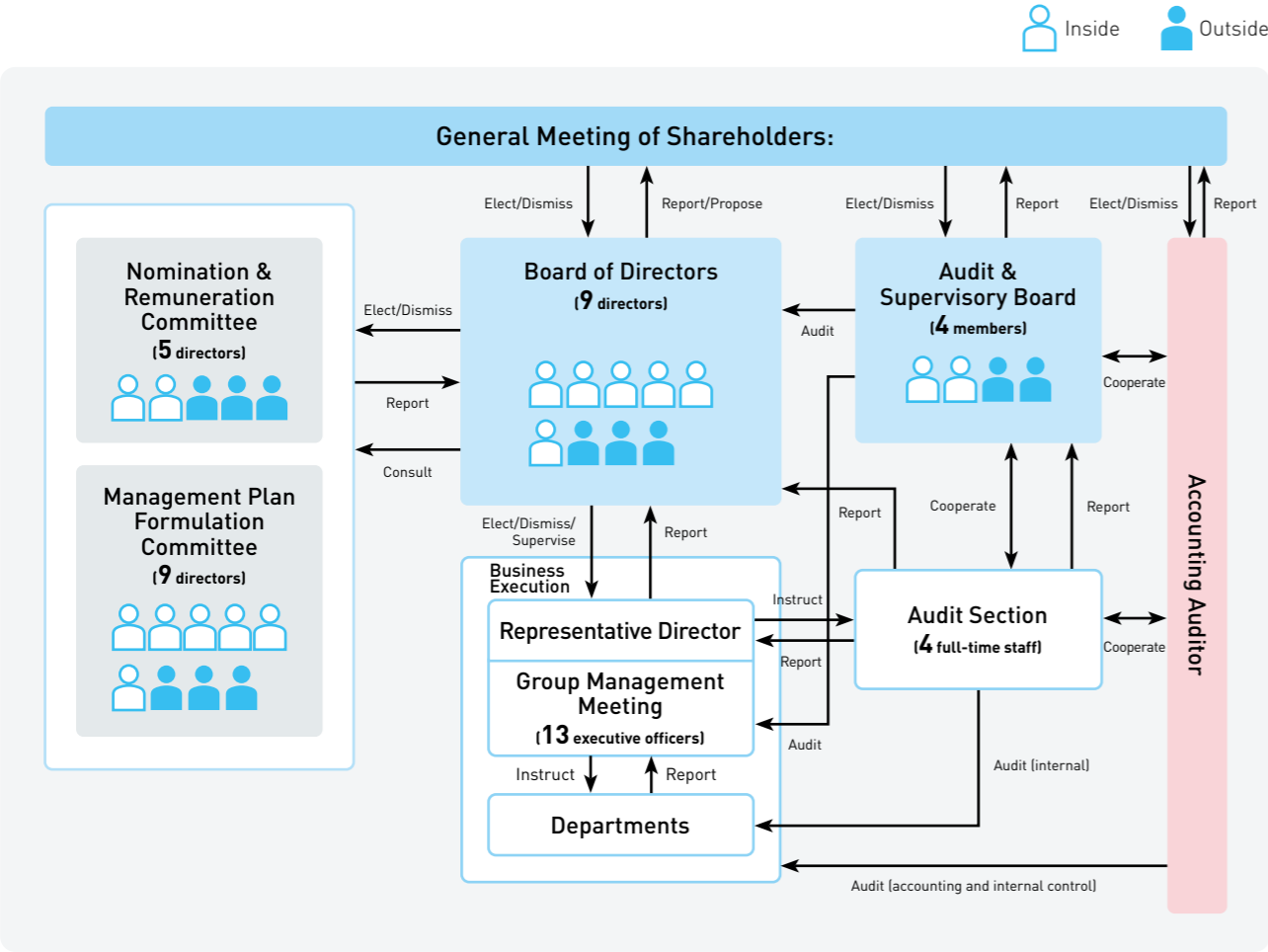
The Shimamura Group believes that the basis of our business lies in dealing fairly and equitably with various stakeholders, such as employees, customers, business partners, shareholders, and society.

We recognize that further strengthening the confidence and trust from stakeholders surrounding our business is necessary for business continuity and growth. Furthermore, for that purpose, we recognize the importance of enhancing corporate governance.

Moreover, we must further increase management efficiency and profitability by developing and expanding the unique business model that we have built in the retail industry. To do this, we believe that directors who possess highly-specialized business and operational knowledge should decide on financial and business policies at the Shimamura Group—while complying with laws, regulations, and the Articles of Incorporation—heighten corporate value, and contribute to the common interests of all stakeholders.

Corporate Governance Structure

The Company has adopted a Company with an Audit & Supervisory Board governance system and established a corporate governance system that centers on a Board of Directors, the Group Management Meeting, the Audit & Supervisory Board, and voluntary committees as advisory bodies for the Board of Directors. The Articles of Incorporation stipulate that the number of directors shall be up to 10 and the number of Audit & Supervisory Board members shall be up to 5.

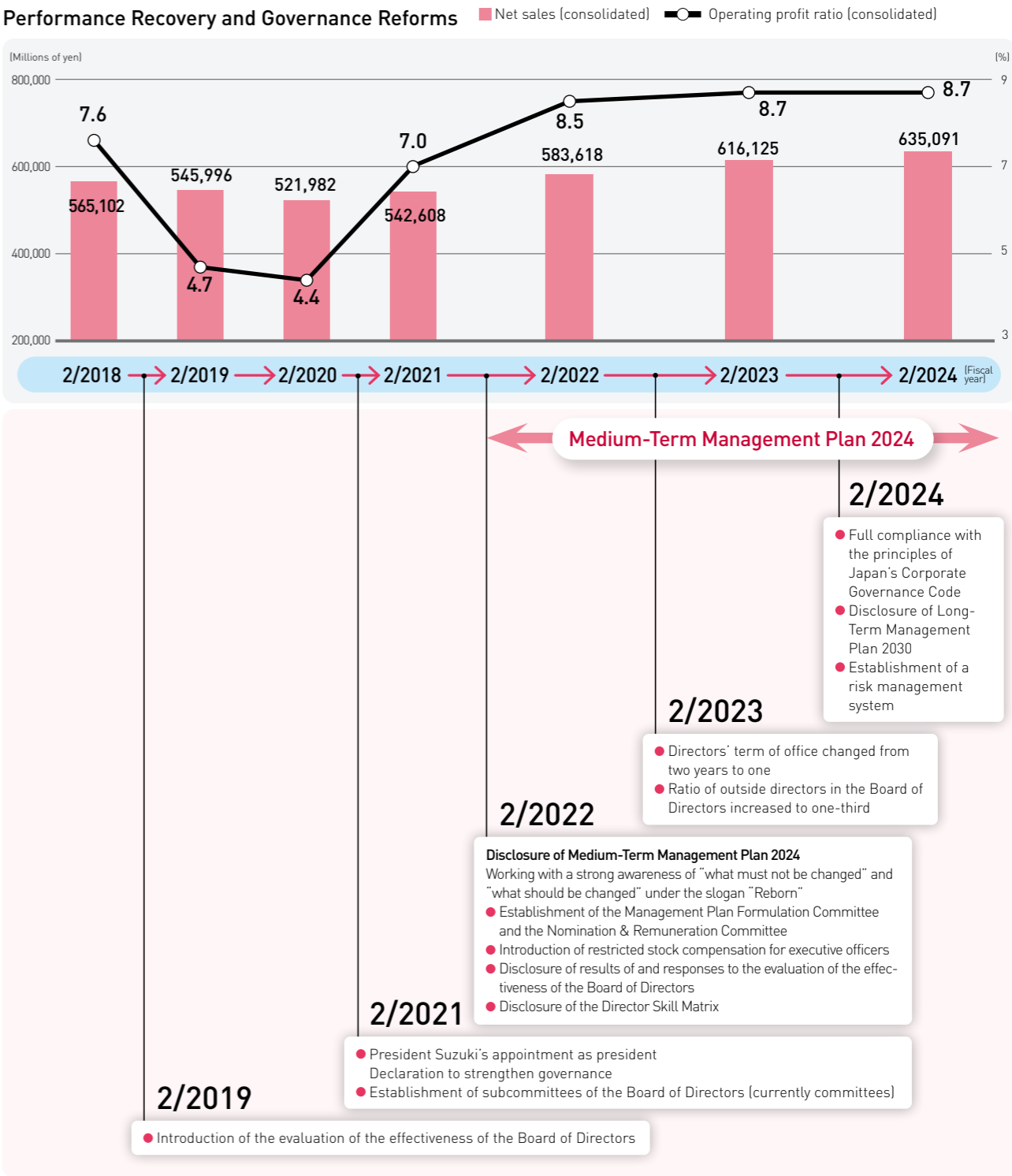


Reasons for Adopting this System

The Company has established a corporate governance system that centers on a Board of Directors, the Group Management Meeting, the Audit & Supervisory Board, and voluntary committees as advisory bodies for the Board of Directors. It has also adopted a Company with an Audit & Supervisory Board governance system in which the Board of Directors supervises business execution and the Audit & Supervisory Board checks audits. In the Audit & Supervisory Board, which is composed of two outside Audit & Supervisory Board members and a standing Audit & Supervisory Board member, who has worked for the Company and is versed in the affairs of the Company members, carry out strict audits in cooperation with an accounting auditor and the Audit Section. We chose the current system believing that it best ensures appropriate conduct of our business activities.

A Transition Toward Stronger Governance to Promote Revitalization and Evolution

In FY 2/2021, the year ended February 20, 2021, Makoto Suzuki was appointed Representative Director, President and Executive Officer amid difficult circumstances in which sales had fallen year on year for three consecutive years. In addition to the drop-off in performance, there was a lack of discussion at Board meetings on matters such as formulating business plans and the nomination and remuneration of executives, all of which are key aspects of governance. To overcome these shortcomings, during a Board meeting President Suzuki declared that he would strengthen governance. In FY 2/2022, we established voluntary committees to ensure a highly transparent decision-making process. In our executive compensation system, we have introduced restricted stock compensation for executive officers. With regard to sustainability activities, which were previously undertaken independently by each department, we have established ESG Promotion Teams and are conducting Companywide initiatives. As a result of these reforms, governance has been strengthened and business performance has improved.



Role of the Board of Directors

The Board of Directors deliberates on matters to be resolved pursuant to laws and regulations and the Articles of Incorporation, as well as matters determined by the Company, and makes decisions regarding important business operations of the Company. The Board of Directors is made up of nine members: six inside directors (five of whom serve concurrently as executive officers) and three outside directors (independent officers). In principle, the Board of Directors meets at least once a month to ensure accurate and prompt decision-making and transparency in management.

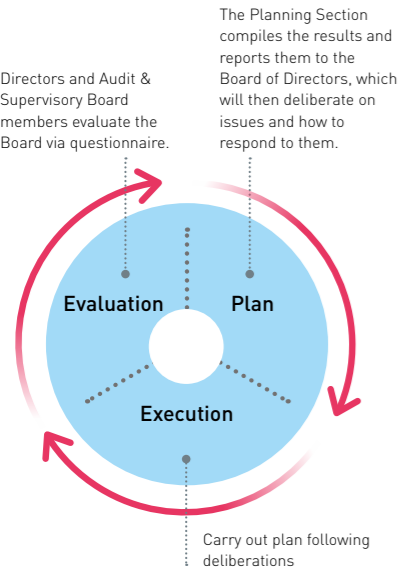
Number of meetings in FY 2/2024: 17

Evaluation of the Effectiveness of the Board of Directors

The Group conducts a questionnaire-based survey of Directors and Audit & Supervisory Board members once per year in order to evaluate the effectiveness of the Board of Directors.

The Secretariat of the Board of Directors (the Planning Section) reports the analysis of the results to the Board of Directors. Then, after deliberating on issues and countermeasures, any necessary improvements are made to improve the effectiveness of the Board of Directors.

Evaluation process



Issues and responses for improving effectiveness

	FY 2/2023	FY 2/2024
Issues	<ul style="list-style-type: none">Lack of discussion on risk managementLack of discussion regarding long-term investment plansNeed for outside officers to exchange information and share awareness of situations	<ul style="list-style-type: none">Discussions on risk management remain inadequateLack of discussion about elaborating and realizing growth strategiesLack of discussion about human resource strategies
Response	<ul style="list-style-type: none">Formulated risk management regulationsBegan regular discussions on capital policy, etc.Created opportunities for communication between outside officers twice a year	<ul style="list-style-type: none">Made significant revisions to risk management regulationsFormulated Medium-Term Management Plan 2027Formulated Medium-Term Human Resource Strategy 2027Discussed succession plan for president
Assessment	<ul style="list-style-type: none">There was a need to further elaborate on risk management regulations.There was a need to elaborate on and realize growth strategies.Communication between outside officers improved.There is a need to discuss the Group's human resource strategy.	<ul style="list-style-type: none">There is a need for continued discussion of the Group's growth strategy.There is a need for continued discussion of human capital.

Deliberations by the Board of Directors in FY 2/2024

The FY 2/2023 evaluation of the effectiveness of the Board of Directors showed that the Board of Directors lacked sufficient deliberation on capital policy, human resources strategy, and risk management. In FY 2/2024, the Board of Directors and the Management Plan Formulation Committee deepened their deliberations on these topics throughout the year, formulating Medium-Term Management Plan 2027 and Medium-Term Human Resources Strategy 2027, while significantly revising the risk management regulations.

Topic	Main Matters of Deliberation
Matters related to corporate policies	Medium-long-term management plans, annual business plans, important marketing policies, etc.
Matters related to the General Meeting of Shareholders	Convening the General Meeting of Shareholders, matters to be discussed at the meetings, voting on agenda items, etc.
Matters related to financial results	Approval for financial statements and supplementary schedules
Matters related to officers	Appointment and dismissal of the representative director, revision of the Regulations for the Board of Directors and the Regulations for Executive Officers, personnel affairs for directors and executive officers, etc.
Matters related to shares and bonds	Issuance of new shares, stock split, disposal and retirement of treasury shares, determining whether interim dividends will be paid, then determining dividend amounts, etc.
Matters related to personnel and organizations	Establishment or change of important organizational structures, adoption of proposals for awards and punishments, etc.
Matters related to business	Determination of an annual budget, conclusion of important management contracts, etc.
Matters related to assets	Acquisition, disposal, and renovation of important assets, leasing of large amounts of real estate, etc.
Matters related to funds	Important investments and loans (excluding short-term fund management), determination and change of banks and other financial institutions that engage in transactions with the head office, etc.
Other	Matters related to litigation, appointment or dismissal of committee members, revision of committee regulations, large donations, and other matters deemed necessary by the Board of Directors, etc.

Director Skill Matrix

The composition of the Board of Directors is determined with consideration given to maintaining an appropriate size and balance in order to facilitate decision-making from a variety of perspectives in terms of expertise, experience, insight, and other factors. The Nomination & Remuneration Committee deliberates upon potential candidates, which are then approved by the Board of Directors. A proposal for appointment is submitted at the General Meeting of Shareholders.

Classification	Name	Corporate Management	Merchandise and Marketing	DX and IT	Finance and Accounting	Legal Compliance Risk Management	Organization and Human Resources	ESG
Inside	Makoto Suzuki	○		○	○	○	○	○
	Ichiro Takahashi	○	○	○				○
	Takashi Nakahira	○	○					○
	Yoshiteru Tsujiguchi	○	○					○
	Hajime Ueda	○	○					○
	Hidejiro Fujiwara	○		○	○	○		○
Outside	Tamae Matsui	○	○			○	○	○
	Yutaka Suzuki	○	○			○	○	○
	Teiichi Murokubo	○			○	○	○	○

Please see our website for information on the criteria for nominating officers.
<https://www.shimamura.gr.jp/en/ir/governance/>

Audit & Supervisory Board

The Company has adopted a Company with an Audit & Supervisory Board governance system. The Audit & Supervisory Board is made up of four members, including two inside Audit & Supervisory Board members (one of whom is a full-time member), and two outside Audit & Supervisory Board members (independent officers). The Audit & Supervisory Board meets at least once a month.

Each Audit & Supervisory Board member follows the audit policy and division of duties established by the Audit & Supervisory Board and is able to sufficiently monitor the business execution of directors by attending Board of Director meetings and other important meetings, as well as through viewing the various reports provided by the Board of Directors. Additionally, the accounting auditor, Audit & Supervisory Board members, and Audit Section exchange their audit findings and other information.

Deliberations by the Audit & Supervisory Board in FY 2/2024

- Selection and dismissal of full-time Audit & Supervisory Board members
- Establishment and review of the "Audit Regulations by the Audit & Supervisory Board"
- Planning of audits, methods of audits, and assignment of audit duties
- Matters related to the appointment of Audit & Supervisory Board members
 - Agreement with the submission of proposals by directors to the General Meeting of Shareholders regarding the appointment of Audit & Supervisory Board members
- Appointment of the Accounting Auditor
 - Deciding on proposals to be submitted to the General Meeting of Shareholders concerning the appointment, non-reappointment, or dismissal of the Accounting Auditor
- Agreement with the determination of the remuneration of the Accounting Auditor by the Board of Directors
- Discussions regarding the remuneration of Audit & Supervisory Board members
 - Discussing and determining remuneration amounts within the total amount approved by the General Meeting of Shareholders, based on reasonable criteria
- Adequacy of the execution of duties by directors
- Legality of business reports and supplementary schedules
- Internal control reports from the Audit Section
 - Status of internal controls reported by the Audit Section, which is an internal audit division

POINT Stronger Disclosure and IR Activities

Since President Makoto Suzuki took office in FY 2/2021, we have focused on strengthening governance and improving information disclosure. Specifically, we have completely revamped our corporate website, begun disclosing information in English, and improved our financial materials. We also hold information sessions on our business operations and ESG activities to strengthen communication with shareholders, investors, analysts, and other participants in the capital market. These efforts were recognized and, in 2022, the Japan Securities Analysts Association of Japan, a public interest incorporated foundation, highlighted Shimamura as a company that has made significant improvements during the foundation's evaluations for the Award for Excellence in Corporate Disclosure (Retail)

Policy for IR activities (Japanese only)
<https://www.shimamura.gr.jp/ir/policy/>

1 POINT Boosting the Speed of Management via Voluntary Committees and the Group Management Meeting

In FY 2/2022, the Group voluntarily established the Nomination & Remuneration Committee and the Management Plan Formulation Committee as advisory bodies to the Board of Directors. These committees, which were originally established as subcommittees of the Board of Directors in FY 2/2021, will facilitate more specific discussion on issues that were previously not given their due attention in Board meetings, such as the nomination and compensation of officers and medium- to long-term growth strategies and capital policies. In FY 2/2023, the number of outside directors in the Nomination & Remuneration Committee was increased from two to three, bringing the proportion of outside directors among members to 60%.

In addition, the Group Management Meeting, which is made up of executive officers, deliberates upon and works to resolve important management issues, excluding matters that can be only be decided by the Board of Directors, to ensure swift management decisions.

Nomination & Remuneration Committee

Number of meetings in FY 2/2024: 4

The Nomination & Remuneration Committee is composed of five members (the representative director, one inside director, and three outside directors) selected by a resolution of the Board of Directors. In order to strengthen the fairness, transparency, and objectiveness of procedures related to the nomination and remuneration of officers, the committee meets at least twice per year in principle, and the deliberations of each meeting are reported to the Board of Directors.

Deliberations by the Nomination & Remuneration Committee in FY 2/2024

- **Matters related to the nomination of officers** Personnel plans for Executive Officers, plans for developing successors, etc.
- **Matters related to the remuneration for officers** Evaluation plans for Executive Officers and remuneration plans for Executive Officers and Directors, etc.

Management Plan Formulation Committee

Number of meetings in FY 2/2024: 6

The Management Plan Formulation Committee is composed of nine members (six inside directors and three outside directors) selected by a resolution of the Board of Directors. In order to invigorate discussions related to the formulation of medium-term management plans and annual management plans, and to enhance the appropriateness, transparency, and objectiveness of the procedures, the committee meets at least twice per year in principle, and the deliberations of each meeting are reported to the Board of Directors.

Deliberations by the Management Plan Formulation Committee in FY 2/2024

- **Matters related to medium- to long-term management plans**
Drafting Medium-Term Management Plan 2027, Medium-Term Human Resource Strategy 2027, and other plans
- **Matters related to annual management plans**
Drafting annual policies, deciding whether to revise earnings forecasts, etc.

Group Management Meeting

Number of meetings in FY 2/2024: 48

In principle, executive officers convene the Group Management Meeting at least three times a month to improve management efficiency and operation speed. The management meeting is chaired by the president and CEO and is composed of inside directors and executive officers.

Deliberations by the Group Management Meeting in FY 2/2024

- | | | |
|---|---|---|
| <ul style="list-style-type: none">• Matters of importance to be submitted to the Board of Directors• Matters related to marketing policies
Annual departmental policies, priority issues, etc.• Matters related to personnel and organizations
Personnel affairs for general managers, revisions to the organizational chart, establishment and revision of employment regulations | <ul style="list-style-type: none">• Matters related to personnel evaluation
Decisions on performance evaluation of general managers, resolutions on proposed rewards and punishments, etc.• Matters related to labor policies
Basic labor policies, annual recruitment plans for new graduates, etc. | <ul style="list-style-type: none">• Other
Applications for new trademarks, etc.• Matters to be reported
Matters related to personnel and organizations, business, assets, etc. |
|---|---|---|

Other Information Related to Corporate Governance

We are working diligently to enhance information disclosure and regularly update our corporate website. We also disclose information such as attendance at each meeting, the nomination criteria for each director, and the status of outside directors.



Other information
<https://www.shimamura.gr.jp/en/ir/governance/>

Officer Remuneration

Basic Policy

1. Remuneration shall emphasize the link between business performance and medium- to long-term corporate value and that value shall be shared with shareholders.
2. The level of remuneration should be appropriate for the roles and responsibilities of officers.
3. We will ensure fairness, transparency, and objectivity through deliberation by the Nomination & Remuneration Committee, the majority of which is composed of outside directors.

Director Remuneration

For directors, only the basic remuneration is paid, within the maximum amount of 400 million yen per year, set by a resolution passed at the 62nd Annual General Meeting of Shareholders held May 14, 2015. The president drafts an appropriate standard, and a final decision is made by the Board of Directors after deliberation by the Nomination & Remuneration Committee. The total amount of remuneration for directors does not include the employee salary of directors who also serve concurrently as executive officers.

Remuneration for directors consists solely of fixed remuneration paid according to each director's position and the status of concurrent duties held as an executive officer, and is calculated based on a prescribed remuneration table that takes into account employee salary increase rates and other factors.

Remuneration for Audit & Supervisory Board Members

Audit & Supervisory Board members receive basic remuneration only, within the maximum amount of 94 million yen per year, set by a resolution passed at the 55th Annual General Meeting of Shareholders held May 16, 2008. A final decision is made based on deliberation by members of the Audit & Supervisory Board.

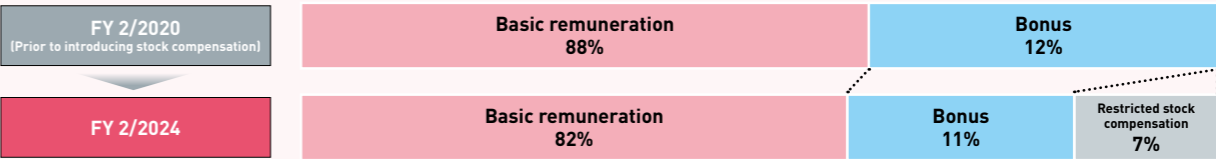
Remuneration Structure for Executive Officers

Compensation for our executive officers consists of basic remuneration, a bonus, and restricted stock compensation.

Basic Remuneration (monetary remuneration)	Basic remuneration is a fixed monthly amount that is revised once a year and paid taking into consideration business performance for the previous fiscal year, individual evaluations, position, and employee salary.
Bonus (monetary remuneration)	Performance-linked remuneration in the form of a bonus is paid once a year, taking into consideration the business performance for the previous fiscal year, position, business performance of the department the executive officer is in charge of, the results of annual policies, and other factors.
Restricted Stock Compensation (non-monetary remuneration)	Restricted stock compensation is allotted once a year according to rank, on the condition that the officer performs services as an executive officer during the fiscal year that includes the stock allotment date. When issuing or disposing of shares under this system, the Company and the executive officer will enter into a restricted stock allocation agreement, which stipulates, among other things, that the transfer restrictions will be lifted when the executive officer retires, and that the Company will acquire free of charge any shares for which the transfer restrictions are not lifted due to non-fulfillment of the conditions for continued employment, etc.

1 POINT Remuneration Structure for Directors Concurrently Serving as Executive Officers

In FY 2/2022, the Company introduced a restricted stock compensation plan for executive officers. All inside directors, excluding the senior advisor, also serve as executive officers, and therefore all inside directors are effectively subject to stock compensation under this system. Linking executive officer compensation with the value of company stock will promote shared value with shareholders, ultimately increasing corporate value over the medium to long term.



Total Amount of Remuneration by Officer Classification, Total Amount by Type of Remuneration, and Number of Eligible Officers (FY 2/2024)

Classification	Total remuneration amount (millions of yen)	Total remuneration amount by type (millions of yen)				Number of applicable officers
		Basic remuneration	Bonus	Non-monetary remuneration	Retirement benefits	
Directors (excluding outside directors) (remuneration as directors)	99	99	-	-	-	7
Employee remuneration for directors who serve concurrently as employees of the Company	153	68	20	13	50	6
Total directors remuneration (excluding outside directors) (director remuneration + employee remuneration)	252	167	20	13	50	7
Audit & Supervisory Board members (excluding outside members)	26	23	-	-	2	2
Outside officers	47	47	-	-	0	5

Corporate Governance

Compliance

Basic Concept

The Shimamura Group continues to engage in sincere corporate management to build long-term, universal relationships of trust and confidence with various stakeholders, including employees, customers, business partners, shareholders, and society itself. The employees of the Shimamura Group comply with laws, regulations, internal rules, and other regulations and then take responsible actions in accordance with social norms and in line with this philosophy.

Organization and Structure

Managers

Each general manager is responsible for confirming the status of compliance with laws and regulations, internal rules, and other regulations as the compliance manager of any operations over which they have responsibility.

The Legal Section is responsible for preventive legal activities aimed at avoiding and mitigating legal disputes, and also strategic legal activities involving legal work tied to important decision-making in corporate management.

Executive officers in charge of the General Administration Department and the Human Resources Department are responsible for overall compliance management.

▶ Internal Audits

The Audit Section conducts internal audits on the status of compliance with internal rules to ensure the appropriateness of business operations.

▶ Whistleblowing System

We have set up a point of contact to accept inquiries and reports for violations on an organizational or personal level of laws and regulations and our Work Regulations.

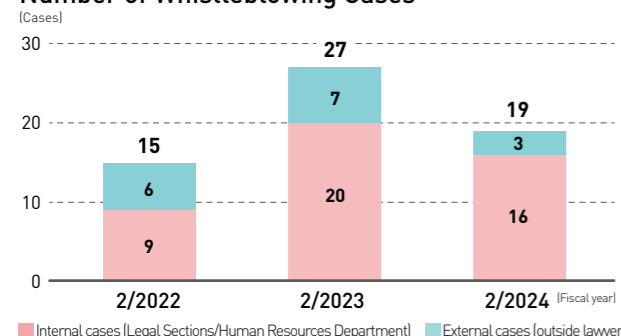
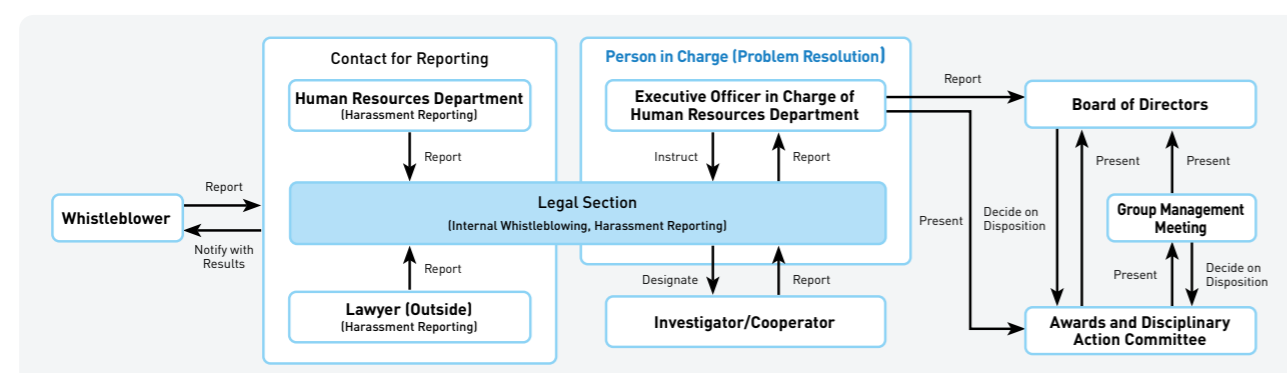
Whistleblowing System

We have formulated the Regulations to Protect Whistleblowers. These regulations establish mechanisms for proper handling of inquiries and reports from employees*, etc. in regard to violations of laws, regulations, or the Group's Work Regulations on an organizational level (the Shimamura Group) or a personal [employee] level.

* Full-time employees, regular employees (part-time), part-time employees, temporary employees, directors, Audit & Supervisory Board members, executive officers, employees who have left the Company inside of one year, etc.

The internal reporting contact point is staffed by the Legal Section, the Human Resources Department, and an outside lawyer. The executive officer in charge of the Human Resources Department and the Legal Section handle cases appropriately in accordance with the Regulations to Protect Whistleblowers to ensure that whistleblowers do not suffer any retaliation.

Additionally, we maintain and operate an appropriate system to prevent recurrence of any violations across the company.



Initiatives to Ensure Thorough Compliance

As part of our efforts to ensure thorough compliance, we conduct regular training tailored to the operations of each department. As an example, we conduct "No! Harassment Training" every year for general managers, block managers, and store managers—those in charge of the stores where the majority of employees work—with the aim of improving the work environment. Additionally, we provide training on intellectual property rights to Merchandise Department employees in charge of purchasing. Through these efforts, we aim to ensure thorough compliance throughout the Company.

Risk Management

Basic Concept

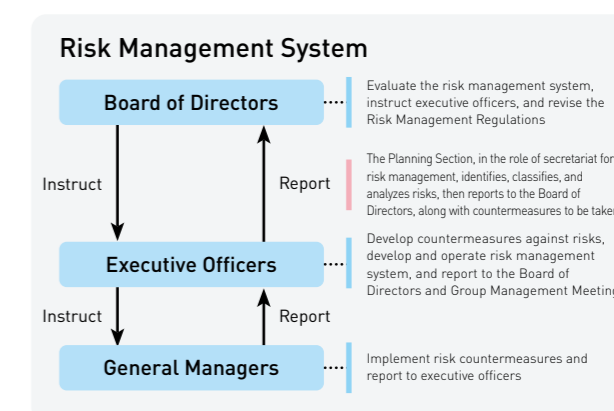
The Shimamura Group defines risk as the factors which impede the achievement of targets. We broadly divide risks into three categories: external environment risks, such as climate change and changes in social conditions; business activity risks relating to product procurement and logistics; and management infrastructure risks relating to human capital and information management. These risks are becoming increasingly diverse and complex and they may have a significant impact on our corporate activities, depending on their nature.

Risk management refers to identifying risks which may become barriers to management in advance, classifying those risks according to the degree of impact they may have on business activities, prioritizing them according to the risk level, and then planning and implementing measures to prevent them. The aim of this risk management is to avoid risks or to minimize losses from any that may occur. The Shimamura Group considers risk management an important management issue. Accordingly, we work to prevent and reduce risks with the aim of increasing our corporate value through sustainable business activities and protecting human life and property.

Organization and Structure

The Board of Directors determines the Risk Management Regulations and basic risk management policies. They then develop a structure to be able to prevent risks and to respond appropriately in emergencies. The operational status of these regulations is assessed at least once a year. Instructions are given to executive officers and these regulations are reviewed according to the results of that assessment.

Executive officers formulate measures against risks and develop and operate a management structure for the departments they are in charge of based on the basic policy determined by the Board of Directors. Moreover, they report to the Board of Directors and the Group Management Meeting about the status of risk management, new risks which have arisen, and response to them. General managers manage risks as appropriate in their own departments.

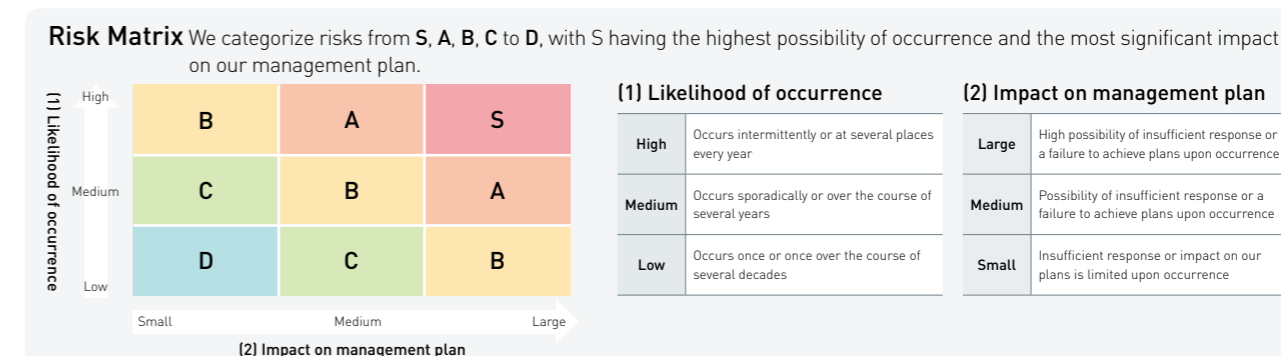


Main Risks and Countermeasures

<https://www.shimamura.gr.jp/en/sustainability/governance.html>

■ Identification, Classification, and Analysis of Risks

We analyze the external environment and internal environment surrounding the Shimamura Group in order to identify what kind of risks exist now and what kind of risks will exist in the future. To develop specific measures, we classify the identified risks and divide them according to the likelihood of occurrence and the impact they may have on our management plan, and prioritize them accordingly.



Information Security

The Shimamura Group recognizes that the protection and management of information assets are an important issue in risk management. Therefore, we have enacted the Information Security Regulations and Personal Information Protection Regulations and are working to strengthen information security.

Under these regulations, the Information Security Committee (Systems Department, General Administration Department, Planning Section, Audit Section, and Legal Section) confirms the status of information security compliance, investigates and corrects problems, and provides education and information in order to minimize the impact from risks. The Information Security Committee is chaired by the executive officer in charge of the Systems Department.

Directors, Audit & Supervisory Board Members, and Executive Officers (as of July 2024)



Directors

1 Representative Director Makoto Suzuki

Mar. 1989 Joined the Company
Nov. 2004 General Manager of Logistics Department
May 2011 Director
Supervising Import Department, Logistics Department, Merchandise Management Department, and Store Management Department
Feb. 2014 Supervising Logistics Department, Systems Development Department, and Import Department
Mar. 2015 Supervising Logistics Department and Systems Development Department
May 2015 Executive Officer
Feb. 2018 Executive Officer and General Manager of the Planning Office
May 2019 Director and Executive Officer
Feb. 2020 President and Representative Director, Executive Officer (current position)
May 2020 Director of Shimamura (Taiwan) (current position)

2 Director Iichiro Takahashi

Mar. 1999 Joined the Company
Mar. 2013 General Manager of Shimamura Store Operation Department 8
Feb. 2014 General Manager of Shimamura Merchandise Department 3
Feb. 2018 General Manager of Shimamura Sales Planning Department
Feb. 2019 Executive Officer
Supervising Logistics Department, Import Department, and Systems Development Department
May 2019 Director and Executive Officer
Feb. 2020 Supervising Shimamura Merchandise Department, Sales Planning Department, Advertising Department, and Market Research Department (current position)
Feb. 2021 Director of Shimamura (Taiwan) (current position)
Feb. 2022 Director and Senior Executive Officer (current position)

3 Director Takashi Nakahira

Mar. 1994 Joined the Company
Feb. 2014 General Manager of Shimamura Merchandise Department 2
Aug. 2017 General Manager of Store Development Department 1
Aug. 2018 General Manager of Shimamura Merchandise Department 1
Feb. 2021 Executive Officer
In charge of Avail Business
May 2022 Director and Executive Officer
In charge of Avail Business (current position)

4 Director Yoshiteru Tsujiguchi

Mar. 1994 Joined the Company
Mar. 2009 General Manager of Birthday Merchandise Department 1
Feb. 2016 General Manager of Chambre Administration Department
Aug. 2016 General Manager of Chambre Merchandise Department
Feb. 2021 Executive Officer
In charge of Chambre Business
May 2023 Director and Executive Officer (current position)
In charge of Chambre Business
Feb. 2024 General Manager of Planning Office (current position)

5 Director Hajime Ueda

Mar. 1995 Joined the Company
Sept. 2011 General Manager of Birthday Merchandise Department 2
Feb. 2017 General Manager of Shimamura Store Operation Department 7
Aug. 2018 General Manager of Shimamura Merchandise Department 6
Feb. 2021 Executive Officer
In charge of Birthday Business
May 2023 Director and Executive Officer (current position)
In charge of Birthday Business

6 Director and Senior Advisor Hidejiro Fujiwara

Sept. 1970 Joined the Company
Apr. 1975 Director
May 1981 Senior Managing Director
May 1989 Senior Managing Director and Representative Director
May 1990 President and Representative Director
May 2005 Chairman and Representative Director
May 2009 Director and Senior Advisor
May 2011 Senior Advisor
May 2020 Director and Senior Advisor (current position)

7 Outside Director Tamae Matsui

Sept. 1983 Joined Seiyu Shoes, Ltd.
Mar. 1986 Transferred to Seiyu, Ltd.
May 2001 Executive Officer
Mar. 2003 Corporate Executive Officer, SVP of Human Asset Department
May 2008 Retired from Seiyu, Ltd.
Oct. 2010 Director and Vice President of Matsui Office Corporation (current position)
May 2015 Outside Director of the Company (current position)

8 Outside Director Yutaka Suzuki

Mar. 1973 Joined Kewpie Corporation
Feb. 2001 Director
Feb. 2003 Managing Director
Feb. 2004 President and Representative Director
Mar. 2011 Consultant
Mar. 2013 Retired from Consultant, Kewpie Corporation
Nov. 2013 President and Representative Director, Yamashiro Management R&D Institute LTD.
May 2018 Outside Director of the Company (current position)
Nov. 2019 Advisor, Yamashiro Management R&D Institute LTD.
Sept. 2020 Retired from Yamashiro Management R&D Institute LTD.

9 Outside Director Teiichi Murokubo

Apr. 1978 Joined The Saitama Bank, Ltd.
[currently Saitama Resona Bank, Limited]
Jul. 2001 General Manager of Saitama Banking Department of The Asahi Bank, Ltd. [currently Saitama Resona Bank, Limited]
Oct. 2003 General Manager of Public Institutions Division of Saitama Resona Bank, Limited
Oct. 2004 General Manager of Kumagaya Branch
Jun. 2007 Retired from Saitama Resona Bank, Limited Executive Director of Saitama Association of Corporate Executives
Jun. 2021 Senior Adviser (part-time) (current position)
Jul. 2021 Advisor of Daiiei Real Estate & Development Co., Ltd. (current position)
May 2022 Outside Director of the Company (current position)
Jun. 2023 Outside Auditor of PORITE CORPORATION (part-time) (current position)

Audit & Supervisory Board Members

10 Standing Audit & Supervisory Board Member Masaaki Sato

Mar. 1982 Joined the Company
Feb. 1993 General Manager of Accounting Department
Feb. 2004 General Manager of the Planning Office
May 2005 Director
Supervising Human Resources Department, General Administration Department, Accounting Department, and Track & Field Athletics Department
Mar. 2009 Supervising Birthday Merchandise Department and Sales Planning Department, and Chambre Merchandise Department and Sales Planning Department
May 2011 Managing Director
Feb. 2012 Supervising Merchandise Department, Advertising Department, and Divalo Merchandise Department
May 2015 Managing Executive Officer
Supervising Store Development Department and Construction Department
Feb. 2021 Senior Executive Officer
Supervising Human Resources Department, General Administration Department, Accounting Department, Education Department, Merchandise Management Department, and Track & Field Athletics Department
May 2024 Resigned as Senior Executive Officer
Standing Audit & Supervisory Board Member (current position)
Auditor of Shimamura (Taiwan) (current position)

11 Audit & Supervisory Board Member Hiroyuki Shimamura

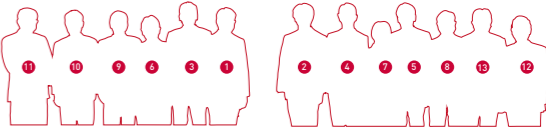
Mar. 1979 Joined the Company
Sept. 1986 General Manager of the Auditing Office
May 1990 Director
Nov. 1991 President and Representative Director of Shimamura Kousan Co., Ltd. (current position)
Nov. 1991 President and Representative Director of Shimamura Kikaku Co., Ltd.
Feb. 1994 Director of the Company and General Manager of Human Resources Department
May 2001 Audit & Supervisory Board Member of the Company (current position)
May 2006 Director of Shimamura Kikaku Co., Ltd.
Dec. 2017 Audit & Supervisory Board Member of Shimamura Kikaku Co., Ltd. (current position)
Jan. 2022 Director of CREATIVE LIFE Co., Ltd. (current position)

12 Outside Audit & Supervisory Board Member Shigehisa Horinokita

Aug. 1982 Registered as a certified public accountant
Jun. 2003 Representative partner of Asahi & Co. (now KPMG AZSA LLC)
Jul. 2014 Head of Shigehisa Horinokita Certified Public Accounting Office (current position)
Jun. 2015 Outside Director of Sanyo Industries, Ltd.
Dec. 2015 Outside Auditor of TOYO Corporation (current position)
May 2016 Outside Audit & Supervisory Board Member of the Company (current position)
Jun. 2016 Outside Director of Sanyo Industries, Ltd. [Audit and Supervisory Committee Member] (current position)

13 Outside Audit & Supervisory Board Member Teiichi Takatsuki

Apr. 1983 Joined World Co., Ltd.
Jun. 2007 Executive Officer and General Manager of Business Management Department
Apr. 2008 Executive Officer and General Manager of Accounting Supervising Department
Oct. 2012 Executive Officer and General Manager of Business Support Division
Jun. 2015 Member of the Board (Member of Audit & Supervisory Committee)
Jun. 2023 Retired from Member of the Board (Member of Audit & Supervisory Committee), World Co., Ltd.
May 2024 Outside Audit & Supervisory Board Member of the Company (current position)



Executive Officers

* Serving concurrently as director

President Makoto Suzuki *

In charge of Planning Section, Audit Section, and Legal Section

Senior Executive Officer Kazuo Konno

Supervising Logistics Department, Import Department, and Merchandise Management Department

Senior Executive Officer Iichiro Takahashi *

Supervising Shimamura Merchandise Department, Sales Planning Department, Advertising Department, and Market Research Department

Executive Officer Takashi Nakahira *

In charge of Avail Business

Executive Officer Yoshiteru Tsujiguchi*

General Manager of Planning Office

Executive Officer Hajime Ueda*

In charge of Birthday Business

Executive Officer Shintaro Seki

In charge of Overseas Business, Chairman of Shimamura Co., Ltd. (Taiwan)

Executive Officer Takeshi Nakamura

Supervising Shimamura Store Operation Department, Shop Dressing Department, and Store Management Department

Executive Officer Tsuyoki Saito

Supervising Systems Department and E-Commerce Business Department

Executive Officer Tatsuaki Hoshino

Supervising Store Development Department and Construction Department

Executive Officer Makoto Oota

Supervising General Administration Department, Human Resources Department, Education Department, Accounting Department, Track & Field Athletics Department

Executive Officer Kiyoshi Fujioka

In charge of Divalo Business

Executive Officer Masao Isoyama

In charge of Chambre Business

11-Year Summary of Financial and Non-Financial Data

(Millions of yen)

	FY 2/2014	FY 2/2015	FY 2/2016	FY 2/2017	FY 2/2018	FY 2/2019	FY 2/2020	FY 2/2021	FY 2/2022	FY 2/2023	FY 2/2024
[Business Position]											
Net sales	501,898	511,893	546,058	565,469	565,102	545,996	521,982	542,608	583,618	616,125	635,091
Operating profit	41,868	36,823	39,913	48,794	42,896	25,451	22,985	38,026	49,420	53,302	55,308
Selling, general and administrative expenses	121,297	126,545	133,254	139,863	147,575	149,274	147,602	147,018	150,663	158,088	164,662
Ordinary profit	44,016	38,601	40,709	50,079	43,920	26,245	23,855	39,404	50,567	54,383	56,716
Profit attributable to owners of parent	26,583	23,288	24,747	32,862	29,717	15,996	13,125	26,163	35,428	38,021	40,084
Capital investment amount	10,301	14,543	21,643	11,472	10,677	12,137	4,474	16,311	6,606	5,610	8,874
Depreciation	5,092	5,285	5,849	5,907	5,695	5,719	5,367	5,471	5,911	5,891	5,918
Cash flows from operating activities	25,719	29,169	23,720	47,229	29,795	15,428	22,803	46,234	37,213	41,552	41,162
Cash flows from investing activities	▲17,442	▲41,339	33,504	890	▲68,607	▲15,801	13,658	▲111,324	143,137	2,325	▲87,198
Cash flows from financing activities	▲8,034	▲8,815	▲9,118	▲9,311	▲9,100	▲9,128	▲6,631	▲7,362	▲8,460	▲9,198	▲9,944
Cash and cash equivalents at end of period	44,697	23,936	71,943	110,726	62,849	53,260	83,088	10,486	182,427	217,157	161,235
[Financial Position]											
Total assets	311,166	331,608	351,283	379,686	397,534	397,425	407,981	451,798	474,811	502,552	533,807
Net assets	269,368	287,038	304,843	331,354	353,091	359,076	365,901	384,388	410,995	440,048	471,408
[Major Financial Indicators]											
Gross profit ratio (%)	32.3	31.7	31.5	33.2	33.5	31.8	32.5	33.9	34.1	34.1	34.4
SG&A expenses ratio (%)	24.2	24.7	24.4	24.8	26.1	27.3	28.3	27.1	25.8	25.6	25.9
Operating profit ratio (%)	8.3	7.2	7.3	8.6	7.6	4.7	4.4	7.0	8.5	8.7	8.7
ROE (%)	10.3	8.4	8.4	10.3	8.7	4.5	3.6	7.0	8.9	8.9	8.8
Equity ratio (%)	86.6	86.6	86.8	87.3	88.8	90.4	89.7	85.1	86.6	87.6	88.3
ROA (%)	8.7	7.2	7.2	9.0	7.6	4.0	3.3	6.1	7.6	7.8	7.7
[Per share information]											
Earnings per share (EPS) (¥)	723.04	633.48	673.25	894.09	808.56	435.23	357.15	711.93	964.04	1,034.57	545.35
Book value per share (¥)	7,327.03	7,808.33	8,293.63	9,015.46	9,606.97	9,770.24	9,956.38	10,459.72	11,183.58	11,973.98	6,413.61
Dividends per share (¥)	180	190	195	230	240	200	200	220	240	260	280
Dividend payout ratio (%)	24.9	30.0	29.0	25.7	29.7	46.0	56.0	30.9	24.9	25.1	25.7
[Other]											
Number of stores at end of period (stores)	1,860	1,931	2,015	2,066	2,145	2,205	2,214	2,199	2,204	2,213	2,227
Total sales floor area (m²)	1,885,840	1,955,005	2,032,035	2,088,971	2,165,687	2,222,514	2,230,232	2,219,764	2,225,121	2,233,275	2,248,917
Number of employees	2,358	2,475	2,549	2,615	3,171	3,174	3,162	3,110	3,086	3,098	3,157
Number of temporary employees	11,718	11,835	12,159	12,706	12,677	12,803	12,308	11,888	12,005	11,942	12,248

Note: On February 21, 2024, Shimamura Co., Ltd. conducted a 2-for-1 common stock split. Earnings per share and Book value per share have been calculated on the presumption that the stock split was conducted at the beginning of the fiscal year ended February 2024.

Shareholder and Investor Information

Note: Items marked with an asterisk(*) are as of February 20, 2024

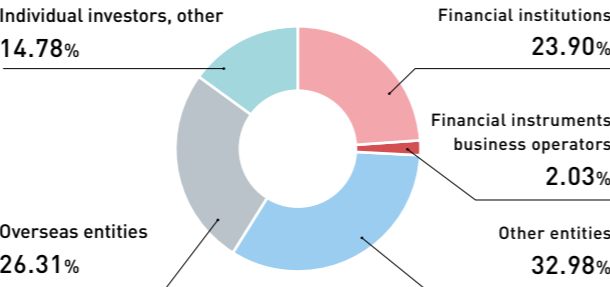
Stock Listing

Prime Market Segment of the Tokyo Stock Exchange
(securities code: 8227)

Overview of Shares

Total Number of Shares Authorized: 240,000,000
Total Number of Outstanding Shares: 73,826,598
Total Number of Shareholders*: 11,605
Fiscal Year: February 21 to February 20 of the following year
Annual General Meeting of Shareholders:
Held by May 5th of each calendar year
Shareholder Register Administrator:
Sumitomo Mitsui Trust Bank, Limited

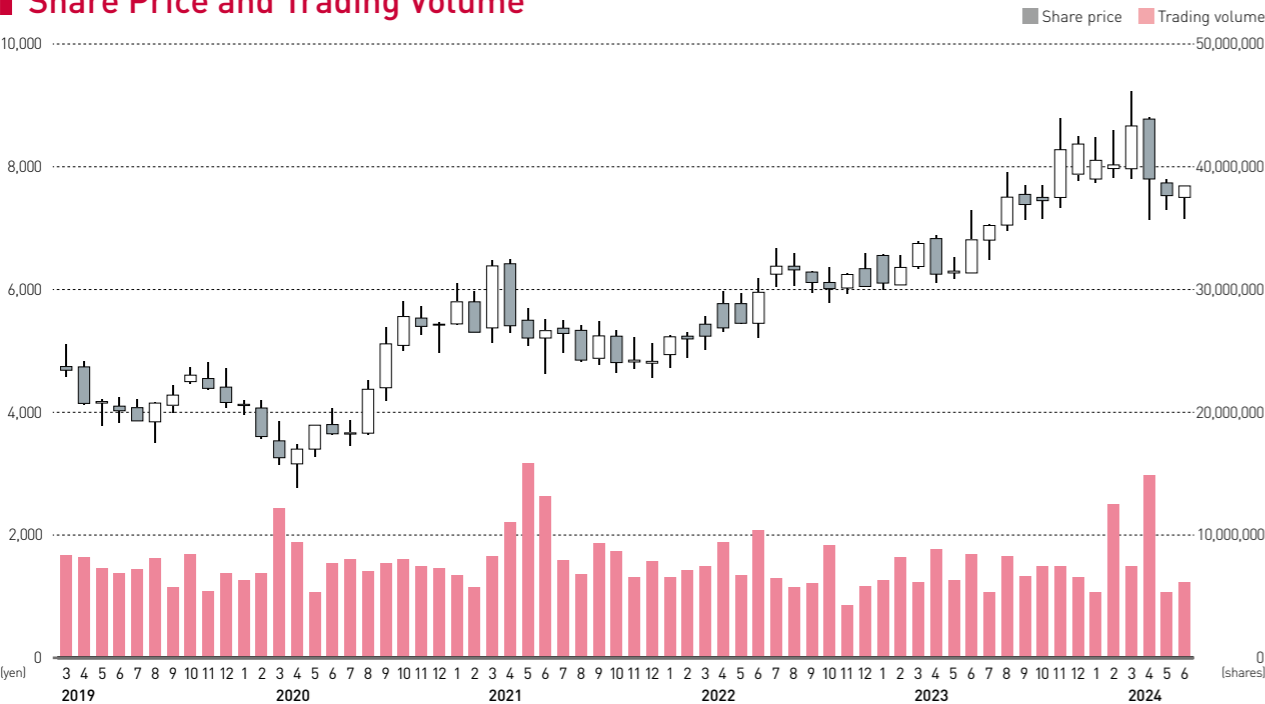
Shareholders by Investment Type*



Major Shareholders (Ten Largest Shareholders)*

Name of shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
SHIMAMURAKIMKAKU Co., Ltd.	5,761	15.68
SHIMAMURAKOUSAN Co., Ltd.	3,370	9.17
The Master Trust Bank of Japan, Ltd. (client account)	3,323	9.04
CREATIVELIFE Co., Ltd	2,370	6.45
Custody Bank of Japan, Ltd. (client account)	2,245	6.11
Saitama Resona Bank, Limited	1,764	4.80
JP MORGAN CHASE BANK 380055 (Standing Agent: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1,081	2.94
Hidejiro Fujiwara	681	1.85
JP MORGAN CHASE BANK 385632 (Standing Agent: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	594	1.62
Hiroyuki Shimamura	501	1.36

Share Price and Trading Volume



Note: On February 21, 2024, Shimamura Co., Ltd. conducted a 2-for-1 common stock split. Calculations for March 2019 to February 2024 have been made with the presumption of this stock split being carried out.

Company Information

Company name: Shimamura Co., Ltd. Establishment: 1953
Head office: 1-602-1 Kitabukuro-cho, Omiya-ku, Capital: 17,086 million yen
Saitama City, Saitama Prefecture Number of employees: 19,357 (consolidated)
Subsidiaries: Shimamura Co., Ltd. (Taiwan)

Listed on the following indexes



FTSE Blossom
Japan Sector
Relative Index

2023 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

Editor's Note

Thank you for taking the time to read Shimamura Group Integrated Report 2024.

When preparing this document, our first integrated report, members primarily from the Planning Section held repeated discussions on a range of topics to improve the report, and what you are reading is the final result.

In this report, we have taken great care to give readers a good grasp of the Group's overarching vision and direction with easy-to-understand content, which includes an overview of our business and explanations of our management strategies, particularly our medium- to long-term management plans, sustainability activities, and corporate governance.

As we look ahead, we remain dedicated to building a good company for employees, customers, business partners, society, and shareholders. We would like to ask all the Group's stakeholders for their continued understanding and support in this endeavor.

Finally, we would like to express our sincere gratitude to all those involved in the production of this report, as well as to everyone who has read it.

Shimamura Co., Ltd. Planning Section

