

Ongoing Sincere Corporate Management



Shimamura Group

Company Profile

Corporate Philosophy

◆Commercial Activities

As social life and culture continue to progress in all corners of the world, it is important to respect all individuals and to improve the lives of the general public. In this sense, commercial activities are particularly important in developed countries to the point that a country's cultural standards are determined by its commercial structure and efficiency.

Generally, in the manufacturing industry, technology is the center of evaluation. However, the true bedrock of a rich society and enhanced consumer living are technological innovation and diversity within the retail industry. **Shimamura** has been establishing stores in Japan, Taiwan and China, and we are pursuing further advancement as a powerful chain store by developing various business styles and opening more new stores.

◆Business Fields

If we divide commerce into the broad categories of foodstuffs, soft goods such as clothing and fashion accessories, and hard goods such as furniture and appliances, **Shimamura** believes it is essential to promote the soft goods field as a part of its business scope. As people's lives become more enriched they turn to soft goods, which increase this feeling of enrichment. We continue to advance in this field with the aim of achieving further business expansion by making the most of the human and system resources that we have assembled.

Management Philosophy

The core philosophy of the company is to contribute to the enhancement of consumer lifestyles and culture through its business. It is also dedicated to maintaining high productivity and fair levels of profit by implementing the state of the art in commercial and retailing techniques.

Shimamura Co., Ltd. manages its business on the basis of a global perspective. It attaches the highest importance to earning the trust and confidence of customers, shareholders and the societies in which it operates.

Shimamura Group Business Areas



百貨店センター-しまむら

Shimamura

This business provides housewives in their 20s to 50s, and their families as targets, with clothing that can be worn in their everyday lives. We consider these clothes to be daily fashion staples and believe that improving the fashion level of people's lives is very important.



CASUAL&SHOES **Avail**

Avail

This business provides clothing and footwear for men and women in their teens to 30s as targets. We aim to become "a specialty store that can offer the latest fashion trends from head to toe in a total coordination of casual fashion with jeans as the main piece."



ベビー・子供用品 **バースデイ**

Birthday

This business provides a wide variety of products for babies and young children in any situation. We aim to create an in-store atmosphere where those raising children can feel at ease when shopping and satisfied with their purchases.



雑貨 & ファッション **Chambre**
シャンプル

Chambre

This business targets women in their 20s to 40s and provides them with a wide variety of miscellaneous goods, clothing, fashion accessories, etc., under the theme of Ouchi Zakka (Home miscellaneous goods). We aim to become a specialty store that both proposes lifestyles and is a gift shop.



靴 **Divalo**

Divalo

This business targets women in their 20s to 50s, their children and men, and provides them with comfortable and durable shoes. We aim to become a stand-out specialty shoe store with a primary focus on ladies shoes.

Overseas Expansion

思夢樂

SI MENG LE

We opened our first store in July 1998 and using the same methods as Shimamura, we built the foundations of a chain store that grew to become the network it is today.

Shi ma la
饰梦乐

Shi ma la

In April 2012, we opened our first store on mainland China in Shanghai City. We have gained popularity as a store that offers trendy fashions at affordable prices.

Merchandise Management

Realizing reasonable prices through “complete purchasing” and “central buying”

Shimamura Group's product lineup and sales plan are handled by about 110 “purchasing professionals” (= buyers) at headquarters, who purchase the best products from over 600 suppliers according to the sales plan for each category. Furthermore, when purchasing goods we use “complete purchasing” and do not return any merchandise. We also use “central buying,” which ensures all orders are completed at headquarters. In this way, we are able to take advantage of scale merits to reduce costs and sell the goods at reasonable prices.

“Controller System” that manages inventory to ensure all goods are sold

There are about 80 “sales floor professionals” (= controllers), who manage inventory from the time the merchandise arrives in a store until it has sold out. They are also in charge of the displays and positioning of merchandise in stores so that customers can easily find and buy what they are looking for. The data collected for each item is analyzed from multiple angles, such as color, size, design and region, to determine how well the merchandise is selling. Merchandise is then transported from one store to another to ensure maximum sales. Furthermore, they determine the discounts when merchandise is not selling based on the original plan versus the true sales trend in stores. With the controllers collectively managing the inventory of each store, it is possible to sell all merchandise with a low rate of sales price adjustments.

Product Management System with automated ordering, transportation, and discounting

The sales and inventory data of all stores and items are managed by computer, and the items purchased by buyers are automatically sent to each store according to the delivery date and quantity specified in the sales plan. Moreover, the controller has authority regarding transfers and discounts, but the computer automatically processes and sets the optimum product, store and selling price.



Merchandise Development

Fundamental merchandise development to realize the comfortable clothing people crave for

We are working on developing merchandise that is representative of the Shimamura Group. One of our hot selling products is the “warm pant linings,” which satisfy customers' desire to stay warm while wearing denim and enjoy being fashionable in the cold months of winter. We are always working on merchandise development from customers' perspective to ensure we offer the products they want and that make them happy.



Developing Merchandise through ability to plan based on sharp recognition of customer desires and development capability of high-quality materials

We are developing products at factories selected for their excellence in the development, production and management of high-quality multi-functional materials and ability to plan based on subtle hints from overseas exhibition surveys. Of particular importance are “core products (basic items that can be expected to sell a certain amount every year),” which are consistently part of our development plan to ensure customers remain satisfied with the products we provide.

Quality Management

Unique quality management in pursuit of customer satisfaction

As a PB (Private Brand), we take part in quality inspections by both public inspection institutions and product management staff. We are making efforts to improve quality by conducting our own inspections to find any problematic areas.

As a PB, stemming from Shimamura Group's unique inspection system, we are trusted by customers for our high quality, high functionality and low prices.



PB Production Factory Management to maintain high quality and safety.

We conduct all on-site inspections and improvement guidance of PB production factories, including “CLOSSHI,” ourselves without any consignments to third parties. In addition to making efforts to prevent accidents (contamination of needles and dangerous substances) and improve problems leading to defective products, we also check the safety and work environment of workers engaged in production and provide guidance for improvement as part of our CSR activities.

Store Operations

Be promoted to Manager with motivation and ability

The stores in each region are the “face” of **Shimamura Group**. Store managers work hard every day to improve store performance. They are supervisors at the forefront, coming into direct contact with customers, and are the implementors of company policy and philosophy. It is also the responsibility of the store manager to be a role model for employees by taking the initiative and prioritizing communication with employees.

Shimamura Group's store managers are people of all ages and backgrounds, as we put emphasis on each individual's ability and motivation. We regularly hire university graduates and some of these hires have become new store managers in their second year with us. We also have many experienced female store managers recruited from our part-time employees (M-employees). Moreover, we have a system that allows employees to step up in the business from store manager → block manager → department manager if they have the ability. As each store manager competes to achieve sales in their own way, the ability of employees and the store's performance improve.

Standardization and simplification allow a small team to conduct store management

Shimamura Group's stores operate with a small number of staff members, one manager and 6-10 M-employees, to ensure store is managed thoroughly according to the manual.



Employee Education

Various education systems with an emphasis on employee education

Shimamura Group works continuously to proactively hire university graduates. We put considerable effort into educating new employees with an emphasis on personnel training. Particularly during an employee's first three years, we focus on educating employees to be competent and independent. With the aim of fostering awareness as an administrator, we implement practical in-store training (OJT) and level-based education (Off-JT) for systematic learning of knowledge and theory in the Human Resources Department. However, the education does not stop there. We continue to foster the growth of employees through various education systems, such as level-based and category-based education, as well as online learning and overseas internships.



Fostering employee growth through job rotation and early promotion

Job rotation is a system that allows employees to experience various job positions over a relatively short period of time. Particularly during the first 10 years, employees experience what it is like to work in multiple categories and departments, which allows them to gain a broader perspective and knowledge. In this way, they are able to grow into skilled employees always ready to take on new challenges. Furthermore, by giving young employees more responsibility and authority from an early stage they can achieve growth, allowing them to advance to managerial positions.

The “M-employee system” makes it easier for everyone to work and gives them the opportunity for a high-positioned career

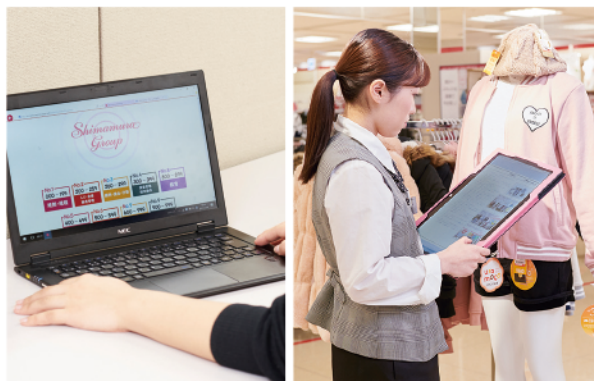
The M-employee system is a system created for those actually working on the sales floor. It allows women with children who are competent but difficult to work full-time to work shifts that suit their lifestyle while receiving the salary they deserve. Moreover, M-employees who are very proficient are appointed to the position of store managers, and, as a result, about 70% of current store managers have been born from this system. The system provides opportunities for employees to pursue positions beyond store manager such as block manager, while simultaneously making it easier to work and enabling employee growth.



Low Cost Operation

Low Cost Operation to realize “Shimamura reassurance prices”

In order to provide customers with “Shimamura reassurance prices (good quality products at affordable prices),” we thoroughly implement high-efficiency low-cost management as a fundamental part of our management. The system operations in stores, purchase, logistics, and at the head office are all managed to realize “low cost operation.”



Low Cost Operation Manual

This is a manual that supports “low cost operation.” Shimamura Group is pursuing standardization and rationality by using this manual to conduct business across all departments as we believe the manual provides the fundamental standards for all operations. We are standardizing operations by creating a manual based on the methods utilized by the most experienced and proficient employees in order to help new employees perform above a certain level. Thorough standardization and rational management based on this manual are the basis of “low cost operation.”

Manual Improvement Proposal System

The improvement proposal system is an indispensable structure that consistently keeps the manual up to date. In order to ensure work optimization, it is imperative that the manual be consistently improved and updated. Every year at Shimamura Group, about 20,000 improvement proposals are submitted by all employees. Updating the manual allows us to maintain low cost operations and ensures that work is constantly improved to match the current situation. The manual is updated every month with the best results gathered through trial and error experiments of individual employee proposals.

Logistics Technology

Unique logistics technology that enables fast delivery through labor-saving and high-speed processing

Having developed more than 2,000 stores, Shimamura Group knows the logistics system is fundamental to store management. Today, we have developed our own commodity center in 10 locations across Japan, and make daily deliveries to Hokkaido, Okinawa and everywhere in between every day. Shimamura Group has been promoting the streamlining of store management and supplier convenience since the days when we had only six stores. We are trying to create logistics networks, mechanization, systematization and go large-scale through repeated construction and improvement. The basis of this system is speed. We continue to pursue labor-saving and high-speed processing in order to deliver large quantities of merchandise in a short period of time.

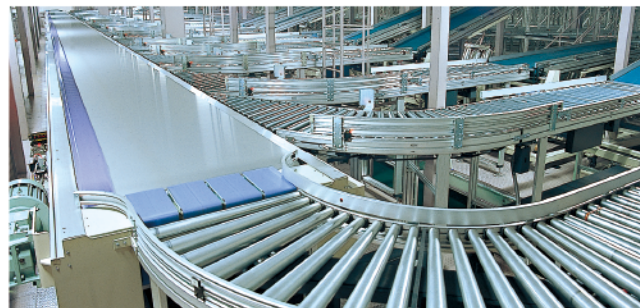


Enabling logistics cost reduction from overseas with “direct distribution”

Originally conducted in Japan, distribution processing tasks, such as the sorting of goods, price tagging etc., are now carried out overseas as it is relatively inexpensive. The simplified and streamlined structure means shipping containers from overseas are not required to pass through supplier distribution centers in Japan, and thus can be delivered directly to the Shimamura product center. Shimamura Group and suppliers work together to promote direct distribution. As a result, products shipped from overseas production plants are delivered directly to the product center, eliminating the small difficulties associated with transportation, which in turn reduces distribution cost.

“Our own product center” enables cheap delivery of individual packages for the cost of one postcard

At the product center, employees do not handle the merchandise delivered from suppliers by hand. Everything is sorted out with high speed by machines and loaded onto trucks to be delivered to stores nationwide. Thanks to this unique system, Higashimatsuyama Product Center, the largest product center, can be managed by three full-time employees and about 40 M-employees. We are able to deliver one package at a low cost equal to about one postcard, thanks to the mechanized and automated high-speed logistics system and our own company management.



Location Development

Dominant Development

Shimamura has developed many stores focused in specific areas through dominant store establishment strategies. Stores are established based on whether we can secure a high occupancy rate in small trading areas with about 12,000 households. The average amount of clothing items purchased per household in Japan is about 110,000 yen per year. Therefore, the purchasing power in trading areas of 12,000 households is about 1.3 billion yen. Each store is required to reach sales of about 330 million yen, accounting for 25% of its respective trading area. As branches other than **Shimamura** have different target trading areas, **Avail**, **Chambre** and **Divalo** require there to be 20,000 households in an area before a store is established, and **Birthday** stores require 500 babies to be born in an area before a store is established.



Extremely low withdrawal rate

Many retail businesses leave it up to real estate agents to find the best locations for their stores. However, at **Shimamura Group**, we establish standards and look for appropriate locations, sizes and conditions for our stores ourselves. Development staff directly conduct trading area surveys and negotiate with landowners regarding contracts, permits and approvals. Our extremely low withdrawal rate proves the superiority of our methods, which are the driving force behind our stable growth.

Development of urban stores

Shimamura Group began establishing stores in the suburbs, but in recent years we have been actively advancing into large metropolitan areas and regional cities, opening stores in commercial buildings and shopping centers. Trading areas with high population density are promising markets and are key to future growth strategies.

Computer System

Bimodal IT (two streams of IT)

We establish and operate systems mainly using two systems: one built for stable operation of existing businesses and strong security, and the other to utilize new digital technology, such as mobile and IoT. **Shimamura Group** is pioneering "bimodal IT," which is becoming a trend in Europe and the United States.

Structured via our own development

We are able to achieve high productivity and efficiency through computer systemization as well as simplification, standardization and specialization, which are the basis of chain store management. System staff optimize business operations by personally developing waste-free management systems that are the most appropriate for each business.



CSR Activity Policy

"Shimamura Group will continue to conduct sincere corporate management."

As stated in our management philosophy, **Shimamura Group** believes it is fundamental to contribute to the improvement of the consumer life and lifestyle through commerce. To that end, we will fulfill our responsibility to those around us and continue to pursue sincere corporate management with universal credibility and reliability that people at any point in time and from any nation can be satisfied with.

For customers

Shimamura will provide its customers with good quality products at affordable prices.

For the environment

Shimamura is well aware of environmental conservation, conducting business activities in an environmentally friendly manner through energy conservation, reuse, and waste reduction.

For communities and society

Shimamura will contribute to culture, education, sports promotion and the community for the development of a sustainable society. As part of our corporate responsibility, we will supply clothing in the event of large-scale disasters and provide disaster support.

For business partners

Shimamura will conduct fair and transparent transactions, and will not make any requests outside product transactions.

For employees

Shimamura will consistently work towards the creation of an easy-to-work environment.

For shareholders

Shimamura will disclose our business and financial situation in a timely and appropriate manner in order to improve corporate value for the benefit of shareholders.

Compliance

(with laws and regulations)

Shimamura will comply with the laws and regulations of each country and region, maintain our internal reporting and auditing systems, and continue to conduct sincere corporate management.





Company Profile

Outline

Shimamura Co., Ltd.	
Establishment	1953
Description of Business	Sales of general clothing items
Head Office	2-19-4 Miyahara-cho, Kita-ku, Saitama City, Saitama Prefecture
Capital	17,086 million yen (as of February 20, 2020)
Fiscal Year End Date	February 20
Net Sales	521,982 million yen (as of February 20, 2020/consolidated)

Directors

President and Representative Director **Makoto Suzuki**
 Director **Shintaro Seki**
 Director **Tsuyoki Saito**
 Director **Ichiro Takahashi**
 Director/Senior Advisor **Hidejiro Fujiwara**
 Director (outside) **Tamae Matsui**
 Director (outside) **Yutaka Suzuki**

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member **Hideyuki Yoshioka**
 Audit & Supervisory Board Member **Hiroyuki Shimamura**
 Audit & Supervisory Board Member (outside) **Shigehisa Horinokita**
 Audit & Supervisory Board Member (outside) **Tetsuya Omi**

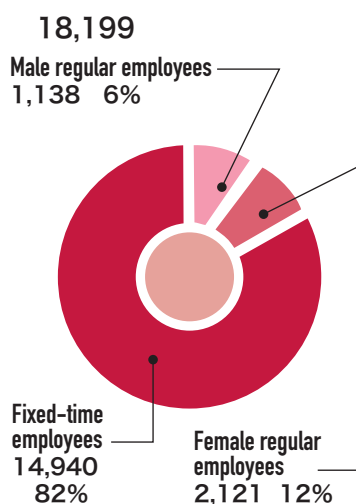
Executive Officers

President **Makoto Suzuki**
 Managing Executive Officer **Kazuo Konno**
 Managing Executive Officer **Masaaki Sato**
 Managing Executive Officer **Masaaki Kurihara**
 Executive Officer **Shintaro Seki**
 Executive Officer **Tsuyoki Saito**
 Executive Officer **Ichiro Takahashi**
 Executive Officer **Hideyuki Kondo**
 Executive Officer **Takeshi Nakamura**
 Executive Officer **Hiroyuki Tamaki**

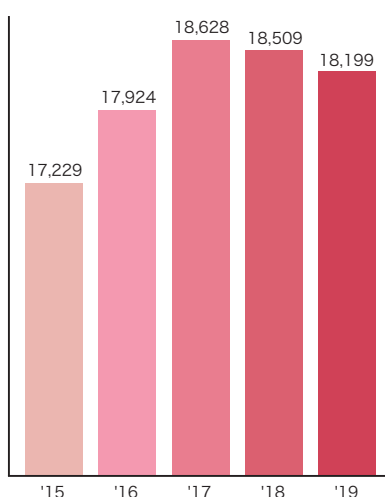
Growth Trajectory

As of February 2020/consolidated

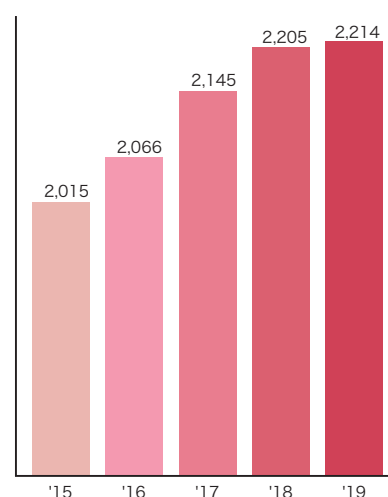
Employee Percentages



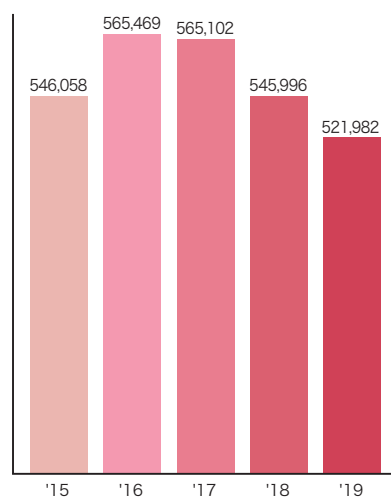
Number of Employees (Persons)



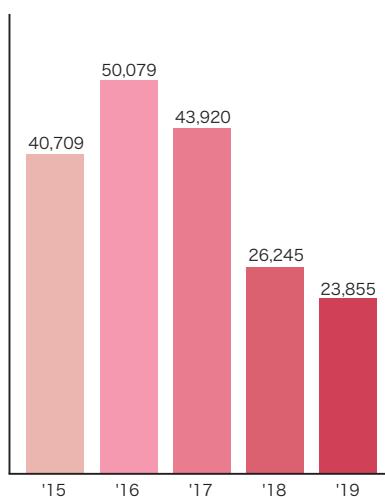
Number of Stores



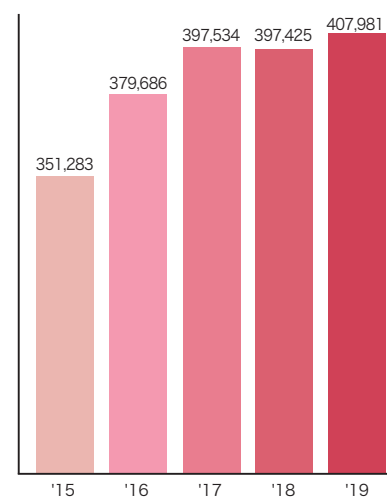
Net Sales (Millions of yen)



Ordinary Profit (Millions of yen)



Total Assets (Millions of yen)

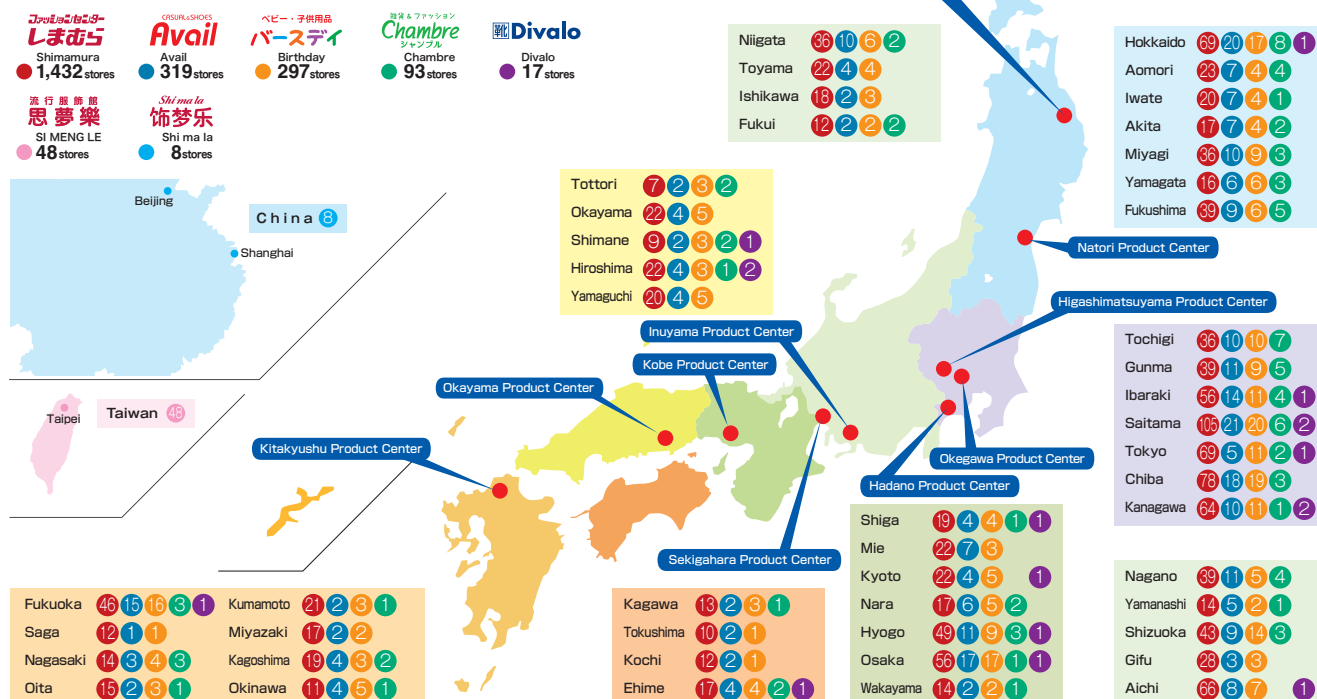


History

- 1953** Established Shimamura Gofukuten as a corporation, which was operating in the north-west town of Ogawa, Saitama Prefecture
- 1957** Introduced self-service and comprehensive super stores
- 1961** Head office transferred to Higashimatsuyama, where a centralized management system was established. Began conducting central buying
- 1972** Changed name to Shimamura Co., Ltd.
- 1975** Introduced computers and began our unique system development
Began operation of special flights through charter agreements with the aim of rationalizing logistics
- 1976** Began opening stores in Gunma Prefecture, aiming for development outside Saitama Prefecture
- 1978** Opened stores in the prefectures of Saitama, Gunma, Tokyo, Chiba and Tochigi with the aim of expanding out to the entire Kanto region
- 1981** Implementation of single item management by creating a product management database and introducing the POS system
- 1982** Head office relocated to Omiya City (today: Saitama City)
- 1984** Shimamura reaches 50 stores
Completed a consolidated product center in Kawaguchi City with comprehensive logistics functions and established a unique delivery inspection system
- 1986** With standardization and rationalization of store operations, we started the M-employee system under which all fixed-time employees manage operations, aside from those handled by store managers.
- 1987** Introduction of management system based entirely on bar codes, requiring no payment slips
- 1988** Shimamura reaches 100 stores
Construction of a new product center in Omiya City (today: Saitama City) for a system of 250 stores, relocated from Kawaguchi
Began opening stores in Fukushima Prefecture with the aim of advancing into the Tohoku region
Listed on the Tokyo Stock Exchange, Second Section
- 1990** Began opening stores in Niigata and Nagano prefectures aiming for nationwide expansion
- 1991** Listed on the Tokyo Stock Exchange, First Section
Advanced into the Chugoku and Shikoku regions
- 1993** Constructed Fukushima Product Center with a new automated system to cover the Tohoku region
- 1994** Constructed Okayama Product Center targeting Sanin, Sanyo and Shikoku, and Inuyama Product Center targeting the Chubu region
- 1996** Established Avail Corporation targeting young people as a new business style
- 1997** Established the subsidiary, SHIMAMURA CO., LTD., in Taoyuan City, Taiwan
First and second Avail stores opened in Tatebayashi City, Gunma Prefecture and Honjo City, Saitama Prefecture, respectively
Advanced into the Kyushu region
Shimamura reaches 500 stores
- 1998** Completed current head office building
Opened the first SI MENG LE store in Pingzhen City
- 1999** Operation of Okegawa Product Center (moved from Omiya Product Center)
- 2000** Expansion to Hokkaido
Constructed the Morioka and Kita-Kyushu Product Centers
Began expansion of new business styles for Birthday and Chambre
Began expansion of fashion malls that combine Shimamura and the new business style
- 2002** Began expansion of new business style for Divalo
Advanced to Okinawa Prefecture, reached expansion to all 47 prefectures
- 2003** Construction of Sekigahara Product Center
Shimamura Group reaches 1,000 stores
Avail reaches 100 stores
- 2006** Shimamura reaches 1,000 stores
- 2007** Construction of Hadano Product Center
Avail reaches 200 stores
- 2008** Shimamura Group reaches 1,500 stores
Birthday reaches 100 stores
- 2009** Merged with subsidiary, Avail Corporation
- 2011** Construction of Kobe Product Center
Established SHIMAMURA SHANGHAI CO., LTD. in Shanghai, China
- 2012** Opened the first Shi ma la store in Shanghai
- 2015** Construction of Higashimatsuyama Product Center, reached 10 product centers located nationwide
Birthday reaches 200 stores
Shimamura Group reaches 2,000 stores
- 2016** Avail reaches 300 stores
Constructed Natori Product Center, relocated from Fukushima
Advanced Birthday into Kochi Prefecture, reached expansion to all 47 prefectures
- 2017** Shimamura Group reaches 2,100 stores
Advanced Avail into Saga Prefecture, reached expansion to all 47 prefectures
- 2018** Started construction of new head office building (Scheduled for completion in March 2021)
- 2019** Release smartphone application "Shimacolle" for reserve order

Shimamura Group Number of Stores

Group total of **2,214** stores as of February 20, 2020



株式会社 **しまむら**
Shimamura Co., Ltd.
<https://www.shimamura.gr.jp>

