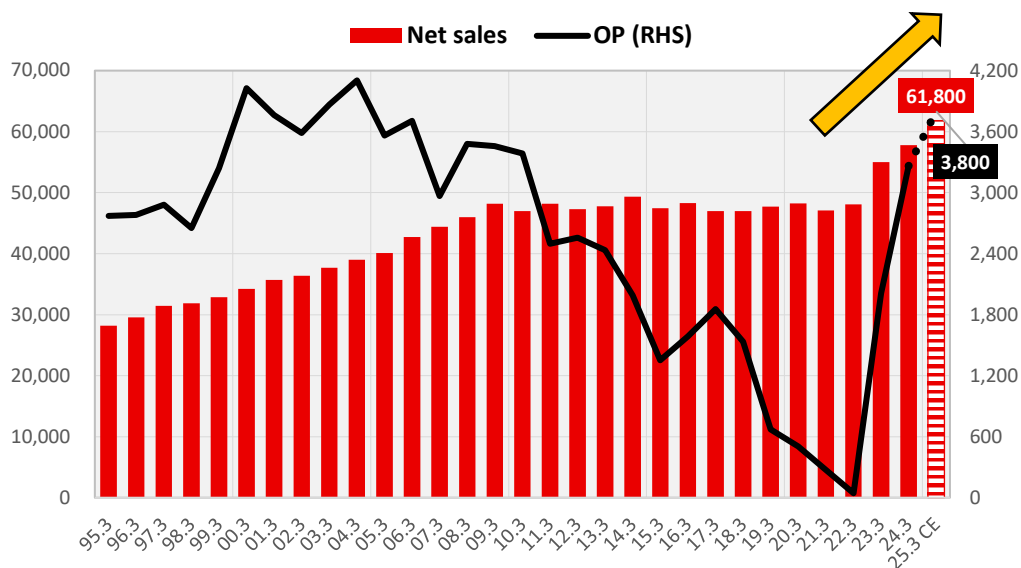


Leading comprehensive provider of packaging materials Drivers include EC, food delivery, inbound and recyclable plastic

SUMMARY

- Founded over a century ago in 1920 as a wholesaler of packaging materials, SHIMOJIMA is a leading trading company specialized in providing comprehensive packaging materials, products and supplies, offering over 1,000,000 items, through its unique wholesale and retail omnichannel distribution structure. The Company's nationwide omnichannel distribution network includes 16 regional sales offices, 18 SHIMOJIMA stores, 20 directly managed Package Plaza stores, and roughly 220 Package Plaza FC stores nationwide, the largest chain of packaging supplies specialty stores in Japan, in addition to the EC site 'SHIMOJIMA Online Shop,' as well as sales by Group companies. Under an omnichannel marketing approach, by focusing on the customer instead of the platform, SHIMOJIMA can drive higher sales and better retention rates, with **the ultimate benefit of building an easily identifiable brand image. SIR believes this will be a competitive advantage in capturing the upside opportunity from the four simultaneous growth drivers examined in this report.**
- The graph below illustrates that SHIMOJIMA Group earnings have entered a new growth phase. Along with announcement of financial results for FY24/3, the Company announced that its Board of Directors resolved to change the dividend policy, which was previously to aim for a payout ratio of 30% while securing the internal reserves necessary for future business development, to a revised policy to return profits to shareholders by taking into account each fiscal year's business performance and financial situation, while also giving due consideration to stable dividends, **with the aim of achieving a payout ratio of 50%.** In our review of key financial indicators and valuations for selected peers, the two key takeaways are: **SHIMOJIMA forecasts for YoY growth in FY25/3 net sales and OP are the highest among peers, and the current DY of 4.14% is also the highest.**

SHIMOJIMA Group Earnings Entering a New Growth Phase (JPY million)



Source: compiled by SIR from SPEEDA earnings database. Note: non-consolidated figures through FY08/3.

Initiation



Focus Points:

Unique wholesale model for paper and plastic packaging materials, store supplies, etc., featuring multi-channel distribution through direct sales, directly managed and FC stores and online websites.

Key Indicators

Share price (12/24)	1,303
YH (24/3/27)	1,484
YL (24/8/5)	1,080
10YH (20/9/29)	1,545
10YL (22/4/13)	886
Shrs out. (mn shrs)	23.648
Mkt cap (¥ bn)	30.813
EV (¥ bn)	23.099
Equity ratio (9/30)	83.8%
25.3 P/E (CE)	12.2x
25.3 EV/EBITDA (CE)	4.7x
24.3 ROE (act)	7.1%
24.9 P/B (act)	0.88x
25.3 DY (CE)	4.14%

6M daily share price trend



Chris Schreiber CFA

Company Specialist

research@sessapartners.co.jp



This report was prepared by Sessa Partners on behalf of Shimojima Co., Ltd. Please refer to the legal disclaimer at the end for details.



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Part 1
Introduction



The HEIKO mark is a registered trademark of SHIMOJIMA. Regarding the origin of the name of the Company's original brand, the "HEI" in HEIKO is taken from the name of SHIMOJIMA's founder, Heiji Shimojima, and the "KO" is the kanji for light, in the hope that the products made with sincerity will spread smoothly to every corner of the world. 【平光】

An abbreviated list of main product categories includes:
Original paper bags (over 1,400 items) including plain carry bags, wrapping paper, buffer tissue paper, boxes (600 items), plastic shopping bags and standardized plastic bags, clear OPP bags, wrapping products including ties, stickers and cards, drawstring gift bags, original satin ribbons, shipping packaging goods such as cases, envelopes and bags, adhesive tapes, food containers of all kinds, kitchen goods and tableware, sanitary cleaning supplies, in-store display materials, event supplies, ceremonial goods, and stationery and office supplies, etc.

Company profile and business description

- Founded over a century ago in 1920 as a wholesaler of packaging materials, SHIMOJIMA is a leading trading company specialized in providing comprehensive packaging materials, products and supplies, offering over 1,000,000 items, through its unique wholesale and retail omnichannel distribution structure. The Company's business is broken down into three business divisions categorized by sales channel, and three product segments categorized by product type. The three business divisions include the Marketing and Sales Division, the Store Sales Division and the Online Sales Division. The lower left-hand pie chart shows the breakdown in FY24/3 was Marketing and Sales 70.2%, Store Sales 19.7% and Online Sales 10.1%. The three product segments include Plastic Products and Packaging Materials, In-Store Equipment and Supplies and Paper Products. The lower right-hand pie chart shows the breakdown in FY24/3 was 59.1%, 23.3% and 17.6%, respectively.
- Regarding the three business divisions, the Marketing and Sales Division conducts dealer sales to secondary wholesalers and packaging supply retailers, as well as direct corporate sales to users. The Company also sells wholesale to member franchisees (Package Plaza FC stores). The Store Sales Division is engaged in direct sales in directly managed SHIMOJIMA stores (packaging supplies, in-store equipment and supplies, office supplies, stationery, etc. at wholesale prices for the day-to-day operation of customer stores, in a wide range of sectors, including retail, food and beverage service, general companies, service sectors, schools and neighborhood associations, as well as general consumers), directly managed Package Plaza stores (concept is "a convenience store for packaging supplies," and it is the largest packaging supply sales chain stores in Japan, with stores nationwide), and east side Tokyo (specialty store with a new concept that handles flower vases, artificial flowers, various craft components, and bridal supplies, offering daily "workshops" for crafts and other activities). The Online Sales Division is engaged in e-commerce across multiple in-house managed websites, as well as SHIMOJIMA shops on other shopping mall platforms.

Business Divisions



Product Segments



Source: compiled by SIR from the FY24/3 IR results briefing materials.

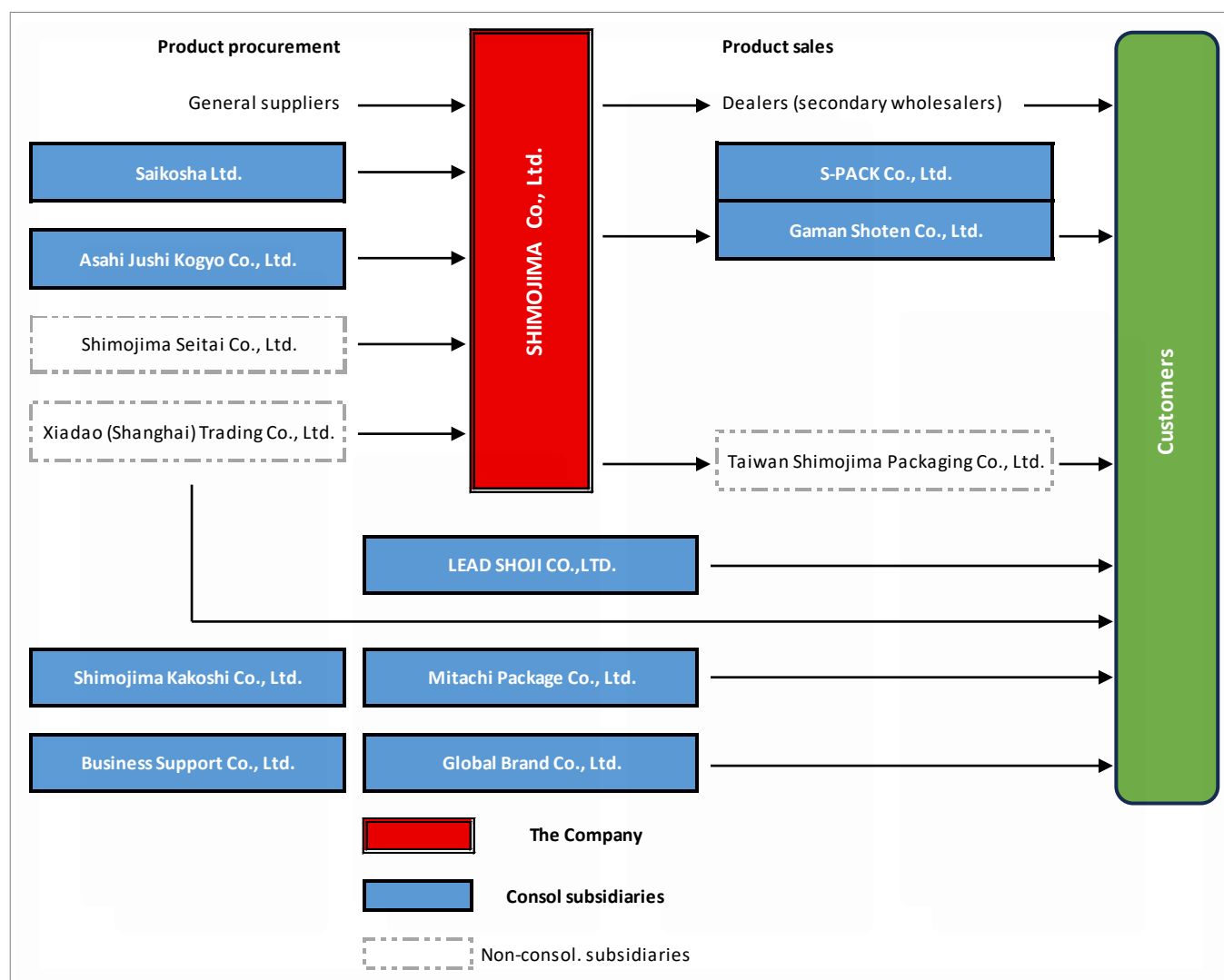
Overview of SHIMOJIMA Group Companies

As of 2024.3.31

- 812 consolidated headcount
- 260 stores nationwide
- Original goods: 12,258 SKUs (stock keeping units)
- SHIMOJIMA Online Shop items handled: 1,009,000 SKUs
- SHIMOJIMA Online Shop registered members: 735,000

- The SHIMOJIMA Group consists of the Company, its nine consolidated subsidiaries and three non-consolidated subsidiaries, as shown in the business flow diagram below. The Company is engaged in product procurement and product sales (mainly paper bags, wrapping paper/paper containers, plastic bags, adhesive tape, string/ribbon, in-store equipment and supplies, etc.).
- A description of the business activities of each of the nine consolidated subsidiaries, a summary of which Group companies are engaged in each Product segment, and the principal business locations of the Company and the consolidated subsidiaries are shown in the three tables on the following page.
- As can be seen from the lower table on P5, the Company's nationwide omnichannel distribution network includes 16 regional sales offices, 22 SHIMOJIMA stores, 20 directly managed Package Plaza stores, and roughly 220 Package Plaza FC stores, as well as sales by Group companies listed in the middle table on P5.

SHIMOJIMA Group Business Flow Diagram



Source: compiled by SIR from the FY24/3 YUHO Annual Securities Report.

Significant Consolidated Subsidiaries

Company name	Location	Capital JPY mn	Voting rights ratio	Main business activities
Shimajima Kakoshi Co., Ltd.	Tochigi	20	100.0%	Logistics
LEAD SHOJI CO.,LTD.	Tokyo	10	100.0%	Sales of store supplies, etc. for the flower and gardening industry
Saikosha Ltd.	Tokyo	3	*36.4%	Printing
Gaman Shoten Co., Ltd.	Hokkaido	10	100.0%	Sales of paper products, plastic products, etc.
Mitachi Package Co., Ltd.	Hyogo	10	100.0%	Sales of packaging, packing/wrapping, and logistics materials, etc.
Asahi Jushi Kogyo Co., Ltd.	Chiba	70	100.0%	Manufacturing and sales of plastic products
Global Brand Co., Ltd.	Aichi	10	100.0%	Overseas logistics business and cross-border e-commerce business
Business Support Co., Ltd.	Tokyo	100	100.0%	Paper products, plastic products/packaging materials, store supplies
S-PACK Co., Ltd.	Tokyo	50	100.0%	Paper products, plastic products/packaging materials, store supplies

Source: compiled by SIR from Notice of the 63rd Annual General Meeting of Shareholders and FY24/3 YUHO Annual Securities Report.

*Note: Although Saikosha's voting rights ratio is less than 50%, it is considered a subsidiary because it is effectively controlled by the Company.

STC Co., Ltd. was merged through absorption by the Company on July 1, 2023, so it has been removed.

Main Business Activities by Product Segment

Segment classification	Main products	Group companies
Paper Products Business	Paper bags, wrapping paper, paper containers	The Company, Gaman Shoten Co., Ltd., Mitachi Package Co., Ltd.
Plastic Products and Packaging Materials Business	Plastic bags, adhesive tape, other packaging materials	The Company, Gaman Shoten Co., Ltd., Mitachi Package Co., Ltd., Asahi Jushi Kogyo Co., Ltd.
In-store Supplies Business	Point of purchase (POP) supplies, stationery and office supplies, misc. in-store sundry items	The Company, Gaman Shoten Co., Ltd., LEAD SHOJI CO.,LTD., Mitachi Package Co., Ltd., Global Brand Co., Ltd., Saikosha Ltd.
Other Business	Transportation and storage for the above businesses	Shimajima Kakoshi Co., Ltd.

Source: compiled by SIR from Notice of the 63rd Annual General Meeting of Shareholders.

Principal Business Locations

The Company	Head office	5-29-8 Asakusabashi, Taito-ku, Tokyo
	Sales offices	Tokyo, Osaka, Sapporo, Morioka, Sendai, Niigata, Kanazawa, Saitama, Yokohama, Nagano*, Shizuoka, Nagoya, Kyoto, Takamatsu, Hiroshima, Fukuoka
	SHIMOJIMA stores	18 stores including Asakusabashi Honten, Nagoya, Shinsaibashi
	Package Plaza stores (DM)	20 stores nationwide*
	Other (flowers/gardening)	east side tokyo
Subsidi.	Distribution centers	Tanuma Distribution Center, Eastern Distribution Center, Higashi Osaka Distribution Center, Osaka Nanko Logistics Warehouse
	Sales offices	LEAD SHOJI CO.,LTD., Mitachi Package Co., Ltd., Global Brand Co., Ltd., Gaman Shoten Co., Ltd.
	Production bases	Asahi Jushi Kogyo Co., Ltd., Saikosha Ltd.
	Other	Shimajima Kakoshi Co., Ltd.

Source: compiled by SIR from Notice of the 63rd Annual General Meeting of Shareholders.

*Note: 3 new DM stores opened since April (Tenroku, Kawasaki, Hoya) as well as the Nagano sales office

Unique omnichannel business model features/strengths

- At the core, omnichannel marketing is the integration and cooperation of the various channels used by an organization to interact with customers, with the goal of creating a consistent brand experience. This includes corporate sales, physical stores and digital channels (websites). The goal of an omnichannel marketing strategy is to create a convenient, seamless user experience for customers that offers many opportunities for fulfillment of customer needs. Omnichannel marketing enables customers to engage with brands on their own terms, leading to a better customer experience (CX). Creating omnichannel customer engagements can act as a brand differentiator, and by focusing on the customer instead of the platform, companies can drive more sales and better retention rates. Ultimately, the benefit of this approach is building an easily identifiable brand image.
- On PP7-8, we present a comparison with selected peers in the packaging materials industry. According to our interview with SHIMOJIMA IR, 7504 KOHSOKU is the closest peer in terms of its wholesale business model, while 3950 THE PACK and 3945 SUPERBAG have business models as manufacturers. Here SHIMOJIMA is unique as a trading company wholesaler that includes multiple retail channels. As mentioned earlier, Package Plaza stores based on the concept of being “a convenience store for packaging supplies,” is the largest chain of packaging supply specialty stores in Japan, with roughly 240 stores nationwide from Hokkaido to Okinawa. One of the Company’s competitive strength is being able to offer attractive wholesaler prices. To reiterate the key points mentioned above, **under an omnichannel marketing approach, by focusing on the customer instead of the platform, SHIMOJIMA can drive higher sales and better retention rates, with the ultimate benefit of building an easily identifiable brand image.**
- Among the 4 companies in our comparison, SHIMOJIMA is the only company with this truly omnichannel model, which SIR believes this will be a competitive advantage in capturing the upside opportunity going forward from the four simultaneous growth drivers examined in PART TWO starting on P11. The two key takeaways from the table on P8 are: 1) SHIMOJIMA has the highest GPM due to its wholesaler model, but also has lower OPM due to the same reason (room to improve efficiency going forward), and 2) SHIMOJIMA has the highest shareholder equity ratio around 80%, which lowers ROE (room to improve in the future).

SHIMOJIMA stores

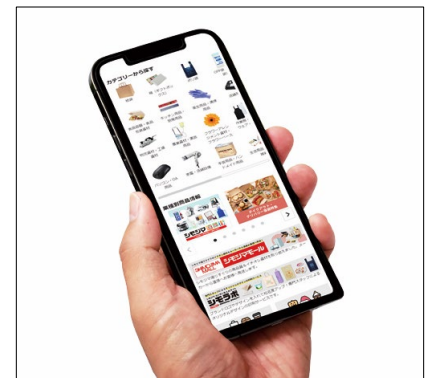


Source: SHIMOJIMA corporate website.

Package Plaza stores



Online websites



KOHSOKU is the closest peer in terms of its wholesale business model

Comparison with selected peers – 1 (business description)

- **KOHSOKU** is a trading company specializing in light food packaging materials such as trays and bento lunchbox containers for food supermarkets, convenience stores, and food processors. It is also engaged in sales promotion tools and packaging-related machinery. The head office is located in Sendai. Products include food containers such as trays and bento lunchbox containers; films and laminates such as plastic wrap and plastic bags; paper products and labels such as wrapping paper, paper bags, seals, and labels; packaging machines, food processing machines, and machinery, equipment, and supplies such as containers, sanitary supplies, and disposable wooden chopsticks; and corrugated cardboard products. As a trading company specializing in light packaging materials for food products, the company boasts superior product procurement capabilities, and the group's manufacturing companies develop products and actively propose optimal packaging for users. Customers include Mitsubishi Corp. Packaging, KASUMI, YAMAZAWA, etc. **FY24/3 sales breakdown: food containers 40, films and laminates 21, paper products and labels 13, machinery, equipment, materials and consumables 19, corrugated cardboard products 5.**
- **THE PACK** is a comprehensive packaging manufacturer that focuses on the manufacture, purchase, and sale of processed paper products such as handbags, paper containers, and corrugated cardboard products, and it has the top market share in paper bags. It also handles film products such as plastic bags and tailor-made bags. The company additionally sells its products in the United States, Canada, and China. The processed paper products business, which accounts for about 70% of total sales, manufactures, purchases, and sells paper bags as well as food packaging, gift souvenirs, e-commerce paper containers, and corrugated boxes. The plastic products business manufactures and sells plastic bags, tailor-made bags, and outer packaging for disposable diapers, while other business handles gift items such as sewn products. The company provides integrated services from planning, design and development, production, and delivery of packaging to approximately 14,000 customers, ranging from apparel to food and beverage, department stores and mass merchandisers, as well as companies, corporations, and schools. The head office is located in Osaka. THE PACK is the largest manufacturer of paper bags for department stores and specialty stores. **FY23/12 sales breakdown: processed paper products 71, plastic products 14, others 15.**
- **SUPERBAG** is a major packaging manufacturer of paper bags, plastic bags, and other packaging materials. The company handles everything from planning and design to manufacturing, sales, and delivery of original packaging tailored to customer needs. The paper products business manufactures and sells paper packaging materials such as square bottom bags, delivery bags, handbags, and paper containers. The plastic products business mainly handles polyethylene bags, such as plastic shopping bags, and polyethylene delivery bags, which have been affected by declining demand due to the introduction of fees for plastic bags and the replacement of plastic packaging materials with paper. In the Others segment, the company operates the Super Bag Vendor System (S-V-S), which accepts bulk orders for and delivers the company's products as well as other supplies and consumables used in stores and backyards. The head office is located in Tokyo. Major customers include Seven-Eleven Japan, McDonald's Japan, Izumi, etc. **FY24/3 sales breakdown: paper products 55, plastic products 20, others 25.**

Comparison with selected peers – 2 (growth and profitability indicators)

KOHSOKU, SHIMOJIMA, SUPERBAG	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3	10Y	FY25/3
THE PACK	FY13/12	FY14/12	FY15/12	FY16/12	FY17/12	FY18/12	FY19/12	FY20/12	FY21/12	FY22/12	FY23/12	CAGR	FY24/12
JPY mn, %	act	act	act	act	act	act	act	act	act	act	act		CE
Net Sales													
● 7504 KOHSOKU	72,387	71,783	76,802	78,650	82,340	86,520	88,588	91,321	91,818	98,850	106,217	3.9	112,000
● 3950 THE PACK	84,315	85,809	88,043	89,174	90,313	93,126	95,502	78,445	80,177	89,060	97,714	1.5	101,000
● 7482 SHIMOJIMA	49,361	47,431	48,278	46,996	46,965	47,696	48,254	47,100	48,063	55,028	57,794	1.6	61,800
● 3945 SUPERBAG	35,899	35,319	35,170	33,495	33,082	32,995	31,895	26,253	25,134	25,253	26,837	(2.9)	27,700
YoY Growth													
● 7504 KOHSOKU	12.5	(0.8)	7.0	2.4	4.7	5.1	2.4	3.1	0.5	7.7	7.5		5.4
● 3950 THE PACK	(0.3)	1.8	2.6	1.3	1.3	3.1	2.6	(17.9)	2.2	11.1	9.7		3.4
● 7482 SHIMOJIMA	3.4	(3.9)	1.8	(2.7)	(0.1)	1.6	1.2	(2.4)	2.0	14.5	5.0		6.9
● 3945 SUPERBAG	3.9	(1.6)	(0.4)	(4.8)	(1.2)	(0.3)	(3.3)	(17.7)	(4.3)	0.5	6.3		3.2
GPM %													
● 7504 KOHSOKU	17.5	17.3	17.2	17.6	17.7	17.8	17.9	18.4	19.7	20.0	19.7		
● 3950 THE PACK	22.6	22.6	23.0	23.6	24.3	24.0	24.2	23.3	23.7	24.3	25.3		
● 7482 SHIMOJIMA	31.0	30.8	31.2	32.5	32.5	31.0	31.7	32.0	31.1	31.9	33.2		
● 3945 SUPERBAG	13.7	13.9	15.6	18.3	17.5	16.3	18.8	18.6	17.0	19.0	20.2		
Operating profit													
● 7504 KOHSOKU	3,032	2,638	3,055	2,785	2,921	3,117	3,138	3,340	3,696	4,008	4,228	3.4	4,350
● 3950 THE PACK	5,253	5,478	6,232	6,484	7,273	6,924	6,850	3,275	4,144	5,972	7,743	4.0	8,100
● 7482 SHIMOJIMA	1,991	1,353	1,587	1,856	1,534	670	505	275	44	2,011	3,262	5.1	3,800
● 3945 SUPERBAG	(277)	(18)	301	918	320	(206)	477	(137)	(496)	450	1,034	NM	1,070
OPM %													
● 7504 KOHSOKU	4.2	3.7	4.0	3.5	3.5	3.6	3.5	3.7	4.0	4.1	4.0		3.9
● 3950 THE PACK	6.2	6.4	7.1	7.3	8.1	7.4	7.2	4.2	5.2	6.7	7.9		8.0
● 7482 SHIMOJIMA	4.0	2.9	3.3	3.9	3.3	1.4	1.0	0.6	0.1	3.7	5.6		6.1
● 3945 SUPERBAG	(0.8)	(0.1)	0.9	2.7	1.0	(0.6)	1.5	(0.5)	(2.0)	1.8	3.9		3.9
Equity ratio %													
● 7504 KOHSOKU	50.1	51.0	52.0	56.2	55.6	56.3	60.3	59.9	61.2	61.3	60.0		
● 3950 THE PACK	60.7	61.0	62.1	63.7	65.2	65.5	66.1	71.5	70.9	69.3	72.0		
● 7482 SHIMOJIMA	81.4	82.5	82.4	83.0	83.6	83.4	83.4	84.0	83.6	81.5	79.9		
● 3945 SUPERBAG	17.0	20.4	20.5	22.9	24.5	18.3	19.0	20.0	17.7	21.0	26.5		
ROE													
● 7504 KOHSOKU	13.2	8.7	10.0	8.8	8.5	9.0	8.2	8.2	8.5	9.0	8.8		
● 3950 THE PACK	8.7	10.5	9.2	9.7	10.2	9.0	8.2	4.0	4.6	6.4	8.3		
● 7482 SHIMOJIMA	4.1	2.6	3.3	3.7	3.3	1.5	1.0	(1.0)	0.3	4.8	7.0		
● 3945 SUPERBAG	(0.8)	3.2	3.8	14.0	4.9	(24.9)	11.3	(12.7)	(24.0)	17.5	24.4		

Compiled by SIR from SPEEDA earnings database.



Early HEIKO mark

SHIMOJIMA Group Corporate History

Date	Event / milestone
Jan-1920	Packaging material wholesaler Shimojima Shoten founded
Aug-1943	Shimojima Shoten Co., Ltd. established
Sep-1943	Company name changed to Shimojima Nigu Kogyo Co., Ltd.
Apr-1962	Shimojima Nigu Kogyo Co., Ltd. established Shimojima Real Estate Co., Ltd. (current company) with capital of 3 million yen for the purpose of managing real estate
Jul-1964	Shimojima Nigu Kogyo Co., Ltd. established SHIMOJIMA Co., Ltd. with capital of 18 million yen to clarify the profit management of the manufacturing and trading divisions, and transferred the trading division to SHIMOJIMA Co., Ltd.
Jul-1967	SHIMOJIMA Co., Ltd. took a stake in Saikosha Ltd. with the aim of strengthening business relationships
Mar-1972	SHIMOJIMA Co., Ltd. established the Eastern Distribution Center in Urawa (now Saitama City), Saitama Prefecture, with the aim of establishing a nationwide distribution network for products to external customers
Dec-1977	SHIMOJIMA Co., Ltd. established the Western Distribution Center in Higashi Osaka with the aim of enhancing the distribution system for stores and customers in the Kansai region
Mar-1979	Shimojima Real Estate Co., Ltd. changed its name to Shimojima Sangyo Co., Ltd.
Apr-1981	Shimojima Nigu Kogyo Co., Ltd. changed its name to Shimojima Shoji Co., Ltd.
Jul-1981	Shimojima Shoji Co., Ltd. changed its name to Shimojima Kogyo Co., Ltd.
	In order to clarify the profit management of both store sales and sales to external customers, Shimojima Shoji Co., Ltd. was established with capital of 30 million yen, and the external sales department and head office management department of SHIMOJIMA Co., Ltd. were transferred to Shimojima Shoji Co., Ltd.
Sep-1989	In order to respond to future expansion of delivery/distribution operations, Shimojima Shoji Co., Ltd. established the Tanuma Warehouse in Tanumacho, Aso District, Tochigi Prefecture (now Sano City), and at the same time established Heiko Handling Co., Ltd. (now Shimojima Kakoshi Co., Ltd.) as a logistics subsidiary.
Apr-1991	Shimajimo Sangyo Co., Ltd. changed its name to Shimojima Shoji Co., Ltd. and Shimojima Shoji Co., Ltd. changed its name to Shimojima Inc.
	Shimojima Shoji Co., Ltd. (surviving company) merged with Shimojima Inc. and SHIMOJIMA Co., Ltd., with capital becoming 107.25 million yen
Nov-1994	Shimojima Shoji Co., Ltd. absorbs Shimojima Kogyo Co., Ltd. through merger
Dec-1995	Shares registered over the counter with the Japan Securities Dealers Association, with capital of 1,405.07 million yen
Jun-2000	Subsidiary Business Support Co., Ltd. established
Nov-2000	Head office acquires ISO 14001 certification
Feb-2001	Listed on the Second Section of the Tokyo Stock Exchange
Sep-2001	Opened the largest Nagoya store in the Chubu region in Naka-ku, Nagoya, with the aim of strengthening sales in the region
Dec-2001	Subsidiary STC Co., Ltd. established
Jul-2002	Company name changed to SHIMOJIMA Co., Ltd.
Sep-2004	Changed listing designation to the First Section of the Tokyo Stock Exchange
Mar-2006	Established subsidiary Xiadao (Shanghai) Trading Co., Ltd.
Apr-2010	LEAD SHOJI CO.,LTD. becomes a subsidiary through the acquisition of issued shares
Aug-2011	The new core system "Phoenix" begins full-scale operation
Apr-2014	Introduction of an executive officer system, effective from June of the same year
Aug-2014	Osaka Nanko Logistics Center established to improve distribution efficiency in Western Japan
Aug-2017	Subsidiary S-PACK Co., Ltd. established
Sep-2017	Gaman Shoten Co., Ltd. becomes a subsidiary of S-PACK Co., Ltd. through the acquisition of issued shares
Oct-2019	Acquired all shares of Mitachi Package Co., Ltd., making it a wholly owned subsidiary
Dec-2019	Acquired all shares of Asahi Jushi Kogyo Co., Ltd., making it a wholly owned subsidiary
Nov-2021	Acquired all shares of Global Brand Co., Ltd., making it a wholly owned subsidiary
Apr-2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market due to the review of market classification by the Tokyo Stock Exchange
Nov-2022	Sustainability Committee established
Aug-2023	Higashi Osaka Distribution Center begins operations

Source: compiled by SIR from the FY24/3 YUHO Annual Securities Report.

Top Management Brief Bios

- Yoshihiko Kasai took over the reins as CEO from Wako Shimojima in April 2021 (during COVID-19) as the first regular employee to be appointed CEO. It is not an overstatement to say that the fortunes and sustainable growth of the Company are tied directly to the effectiveness of sales and marketing. CEO Kasai has devoted his entire career to demonstrating excellence and leadership in driving not only results but also focusing on sustainability and taking the challenge of developing environmentally friendly solutions as a growth opportunity. Masayuki Shimojima has extensive experience in finance and business management, as well as experience in international business, working to improve governance and ensure positive outcomes for all stakeholders, making the Group an admired organization.



Yoshihiko Kasai (65)

Date	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	No. shares owned
Apr-1981	Joined SHIMOJIMA Co., Ltd.	
Mar-2007	Appointed General Manager of the West Japan Sales Department	
Feb-2008	Appointed Representative Director and President of subsidiary Sanwa Co., Ltd.	
May-2012	Appointed Deputy General Manager of the Sales Division and General Manager of the West Japan Sales Department	
Jun-2012	Appointed Director and Deputy General Manager of the Sales Division	
Jun-2014	Appointed Executive Officer and Deputy General Manager of the Sales Division	28,409
Jun-2015	Appointed Executive Officer and General Manager of the Sales Division	
Jun-2016	Appointed Director, Senior Executive Officer and General Manager of the Sales Division	
Aug-2017	Appointed Director, Managing Executive Officer, General Manager of Sales Management Division and General Manager of Sales Division	
Jun-2018	Appointed Senior Managing Director, Senior Executive Officer, General Manager of Sales Management Division and General Manager of Sales Division	
Jun-2019	Appointed Representative Senior Managing Director, Senior Executive Officer, General Manager of Sales Management Division and General Manager of Sales Division	
Apr-2021	Appointed CEO (current position)	



Masayuki Shimojima (69)

Date	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	No. shares owned
Apr-1978	Joined Sanwa Bank, Ltd.	
Jan-2005	Joined SHIMOMURA Co., Ltd.	
Apr-2009	Appointed General Manager of Corporate Management Department	
Dec-2011	Appointed General Manager of Finance Department	
Jun-2014	Appointed Executive Officer and Deputy General Manager of the Administration Division	182,052
Apr-2015	Appointed Executive Officer and Deputy General Manager of the Administration Division and General Manager of Corporate Management Department	
Jun-2016	Appointed Director, Senior Executive Officer, General Manager of the Administration Division and General Manager Human Resources Department	
Jun-2018	Appointed Managing Director, Senior Executive Officer, General Manager of the Administration Division and General Manager of Human Resources Department	
Jun-2022	Appointed Representative Senior Managing Director, Senior Executive Officer, and General Manager of Administration Division and General Manager of Human Resources Department	
Jun-2023	Appointed Representative Senior Managing Director, Senior Executive Officer, and General Manager of Administration Division	
Jun-2024	Appointed Representative Director and Executive Vice President and General Manager of Administration Division	
Aug-2024	Appointed as Representative Director and Executive Vice President (current position)	

Source: compiled by SIR from the FY24/3 YUHO Annual Securities Report and "Notice of Changes in Directors and Officers" dated August 9, 2024.

Part 2

Industry Background

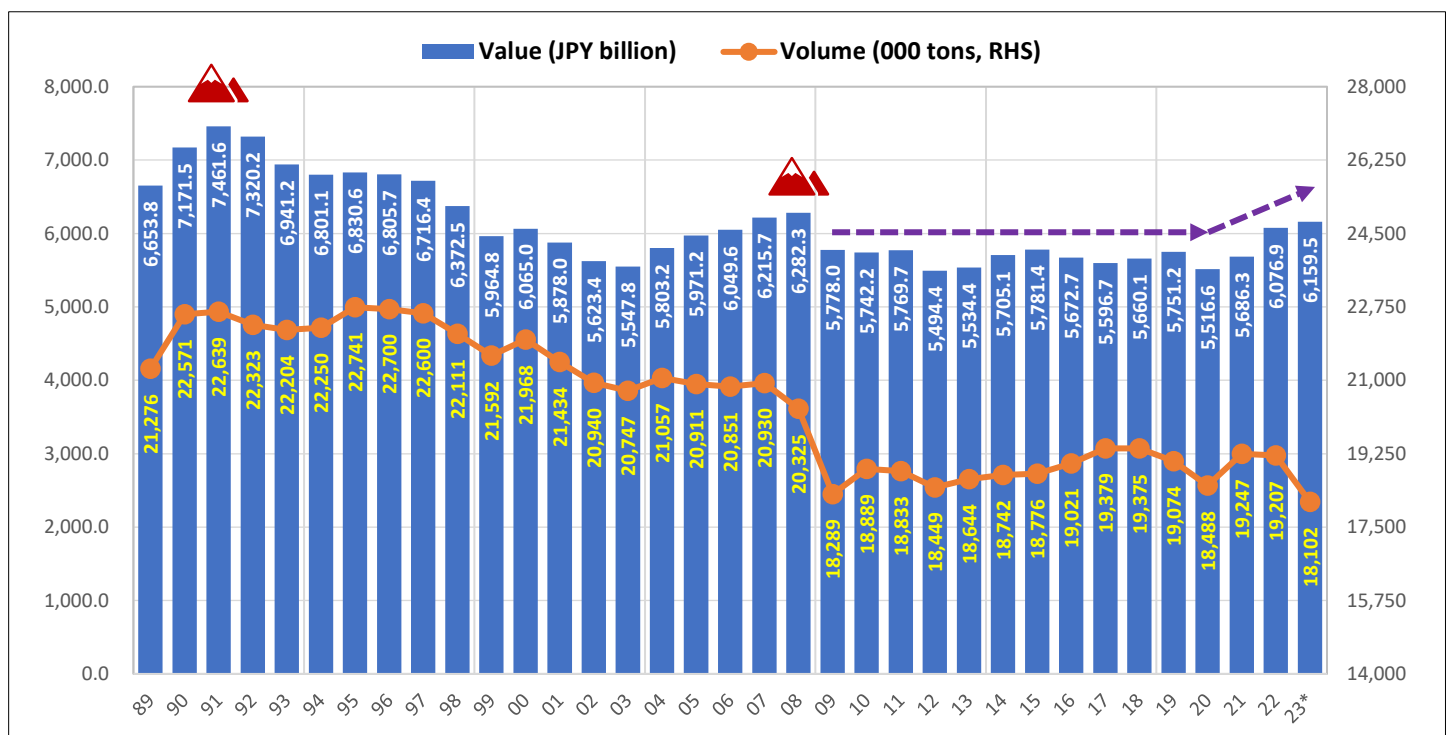
✓ Simultaneously unfolding major growth drivers for the Group:

- Ongoing strong growth in B2C E-commerce (merchandising sector)
- Explosive growth in home delivery of restaurant meals and groceries
- National policy promoting inbound and domestic regional tourism
- Urgency to develop recyclable plastics and closed-loop systems

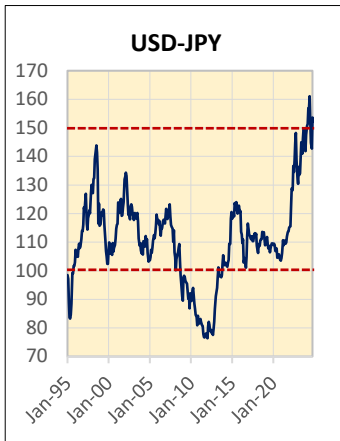
Long-term trend of packaging industry shipment statistics

- Japan Packaging Institute (JPI) was established in March 1963, and was upgraded to a legal entity in June by the then Ministry of International Trade and Industry (now METI). Its purpose is promoting the rationalization of production and distribution as well as consumption through advancement of packaging techniques and thereby contributing to the advancement of Japan's economy. Its activities range from the investigation and research of packaging to the preparation and formulation of standards, the holding of study meetings, seminars, etc., the fostering of capable packaging specialists, the exchange of observation groups to and from overseas, and publication of industry statistics, as well as hosting the bi-annual international trade exhibition TOKYO PACK. JPI was authorized as a Public Interest Incorporated Association (authorized to carry out public interest projects that are sanctioned by the government) by the Cabinet Office in late 2011.
- The data in the graph below, as well as the table on the following page showing the breakdown of packaging and container materials by six categories provide helpful insight into industry trends. First, looking at total value of industry shipments, following the peaking out of the asset bubble economy, shipments declined -25.6% over 12 years through 2003 (CAGR -2.4%), subsequently rebounding +13.2% over 5 years through 2008 (CAGR +2.5%) during the 'Izanami Boom'. After the initial drop due to the global financial crisis, shipments remained effectively flat over 10 years through 2019. Japan's total population peaked out at 128.1mn in 2010, declined to 123.4mn in 2023, and along with tougher laws to reduce waste, likely contributed. Following the outbreak of COVID-19 in early 2020, the yen peaked around USD 102 in Jan-2021, subsequently depreciating sharply to the 150 level in 2022-23, and inflationary pressures are attributed to the recent divergence in value and volume.

35-year Trend of Japan Packaging Industry Shipment Statistics



Source: compiled by SIR from annual reports by Japan Packaging Institute. *2023 figures include estimates for the 4Q. <https://www.jpi.or.jp/toukei/2024.html>



...continued from P11

Next, when we compare the cover graph showing the trend of SHIMOJIMA net sales over the same period, **there are two key takeaways:**

1) SHIMOJIMA net sales continued to grow through 2009, despite the sharp contraction in the overall market, reflecting the strength of its unique omnichannel business model.

2) While the surge in raw material and energy costs are a key factor in price inflation, net sales of SHIMOJIMA entering a new growth period can also be attributed to four key growth drivers, including in-house capability to develop higher value-added environmentally friendly closed-loop recycling solutions.

Packaging and Containers Shipment Value (2014 - 2023)

By Material	2014		2015		2016		2017		2018		2019		2020		2021		2022		2023**		10Y	5Y
	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	¥ bn	%	CAGR	CAGR
Paper & Paperboard Products	2,316.6	40.6	2,352.5	40.6	2,359.6	41.6	2,468.6	44.1	2,461.0	43.5	2,490.8	43.3	2,496.9	45.3	2,561.3	45.0	2,749.9	45.2	2,874.4	46.7	2.3	3.2
YoY	0.9	1.5		0.3		0.3	4.6	(0.3)		1.2		0.2		2.6		7.4		4.5				
Plastic Products	1,770.4	31.0	1,805.5	31.2	1,674.5	29.5	1,562.2	27.9	1,678.4	29.7	1,712.0	29.8	1,551.9	28.1	1,653.9	29.1	1,808.2	29.8	1,786.5	29.0	0.7	1.3
YoY	6.4	2.0	2.0	(7.3)	(6.7)	7.4	(6.7)	7.4	2.0	2.0	6.6	(9.3)	9.3	6.6	13.8	838.3	13.6	0.1	(0.8)	0.5		
Metal Products	935.2	16.4	945.5	16.3	929.2	16.4	874.7	15.6	817.9	14.5	832.9	14.5	813.9	14.8	808.8	14.2	837.7	13.8	838.3	13.6	(0.8)	0.5
YoY	2.6	1.1	1.1	(1.7)	(5.9)	1.8	(6.5)	1.8	(6.5)	1.8	1.8	(2.3)	2.3	(0.6)	0.1	0.1	0.1	0.1	0.1	0.1		
Glass Products	126.3	2.2	129.6	2.2	128.2	2.3	124.8	2.2	119.5	2.1	116.4	2.0	107.6	1.9	108.2	1.9	116.5	1.9	125.9	2.0	0.1	1.0
YoY	1.2	2.6	2.6	(1.0)	(2.7)	1.2	(2.7)	1.2	(4.2)	1.2	(2.6)	(7.6)	7.7	0.5	8.1	8.1	7.7	8.1	8.1	0.1	1.0	
Wooden Products	139.4	2.4	138.1	2.4	143.6	2.5	136.1	2.4	136.1	2.4	146.1	2.5	145.5	2.6	145.4	2.6	138.2	2.3	116.8	1.9	(1.0)	(3.0)
YoY	7.9	(1.0)	(1.0)	4.0	(5.2)	0.0	(5.2)	0.0	7.4	7.4	(0.5)	(4.9)	(0.1)	(15.5)	(15.5)	(4.9)	(1.0)	(1.0)	(1.0)	(3.0)		
Other Materials	417.2	7.3	410.2	7.2	437.6	7.7	430.4	7.7	447.1	7.9	452.9	7.9	400.8	7.3	408.6	7.2	426.5	7.0	417.5	6.8	0.2	(1.4)
YoY	2.1	(1.7)	(1.7)	6.7	(1.7)	3.9	(1.7)	3.9	1.3	1.3	(11.5)	4.4	1.9	2.1	2.1	4.4	2.1	2.1	2.1	0.2	(1.4)	
Packaging and Containers Total	5,705.1	100.0	5,781.4	100.0	5,672.7	100.0	5,596.7	100.0	5,660.1	100.0	5,751.2	100.0	5,516.6	100.0	5,686.3	100.0	6,076.9	100.0	6,159.5	100.0	1.1	1.7
YoY	3.1	1.3	1.3	(1.9)	(1.3)	1.1	(1.3)	1.1	1.6	1.6	3.1	(4.1)	6.9	3.1	1.4	1.4	6.9	1.1	1.7	1.1	1.7	

Packaging and Containers Shipment Volume (2014 - 2023)

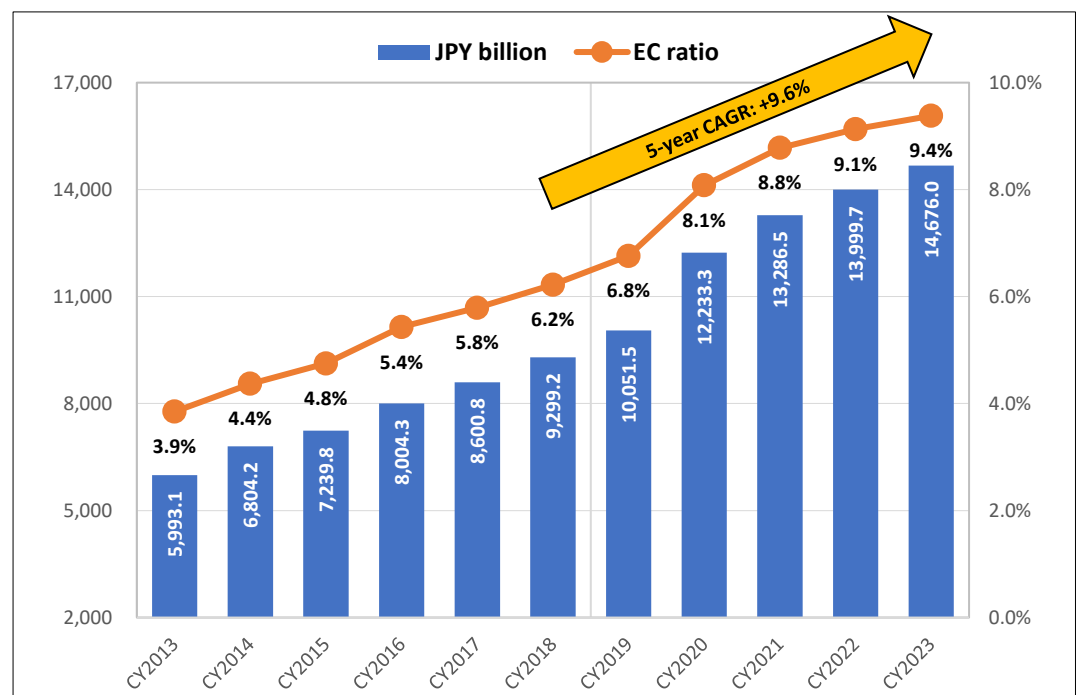
By Material	2014	ratio	2015	ratio	2016	ratio	2017	ratio	2018	ratio	2019	ratio	2020	ratio	2021	ratio	2022	ratio	2023**	ratio	10Y	5Y
	000 t	%	000t	%	000 t	%	000t	%	000 t	%	000t	%	000 t	%	000 t	%	000 t	%	000 t	%	CAGR	CAGR
Paper & Paperboard Products	11,912	63.6	11,923	63.5	12,178	63.5	12,584	64.9	12,695	65.5	12,346	64.7	12,154	65.7	12,746	66.2	12,821	66.8	11,992	66.2	0.2	(1.1)
YoY	1.7	0.1	0.1	2.1	3.3	3.3	3.3	0.9	0.9	(2.7)	(1.6)	4.9	0.6	(6.5)	(6.5)	0.6	(6.5)	(6.5)	(6.5)	(6.5)	0.2	(1.1)
Plastic Products	3,528	18.8	3,638	19.4	3,658	19.4	3,722	19.2	3,709	19.1	3,745	19.6	3,513	19.0	3,644	18.9	3,553	18.5	3,373	18.6	(0.4)	(1.9)
YoY	0.4	3.1	3.1	0.6	0.6	0.6	1.7	(0.3)	1.0	1.0	1.0	(6.2)	3.7	(2.5)	(5.1)	(5.1)	(2.5)	(5.1)	(5.1)	(0.4)	(1.9)	
Metal Products	1,462	7.8	1,378	7.3	1,373	7.3	1,363	7.0	1,322	6.8	1,304	6.8	1,206	6.5	1,248	6.5	1,209	6.3	1,156	6.3	(3.0)	(2.6)
YoY	(6.4)	(5.8)	(5.8)	(0.3)	(0.3)	(0.3)	(0.7)	(3.1)	(3.1)	(3.1)	(1.3)	(7.5)	3.5	(3.2)	(4.4)	(4.4)	(3.2)	(4.4)	(4.4)	(3.0)	(2.6)	
Glass Products	1,253	6.7	1,253	6.7	1,232	6.7	1,197	6.2	1,135	5.9	1,069	5.6	977	5.3	981	5.1	1,026	5.3	987	5.4	(2.4)	(2.8)
YoY	(0.7)	0.0	0.0	(1.7)	(2.8)	(2.8)	(2.8)	(5.1)	(5.1)	(5.1)	(5.8)	(8.6)	0.4	0.4	4.6	4.6	0.4	4.6	(3.9)	(2.4)	(2.8)	
Wooden Products	587	3.1	581	3.1	580	3.1	514	2.7	514	2.7	610	3.2	639	3.5	628	3.3	597	3.1	595	3.3	0.0	3.0
YoY	(1.1)	(1.0)	(1.0)	(0.2)	(0.2)	(1.4)	(11.4)	0.0	0.0	18.7	18.7	4.7	4.7	(1.7)	(4.8)	(4.8)	0.0	0.0	0.0	0.0	3.0	
Other Materials*	NA	—	NA	—	NA	—	NA	—	NA	—	NA	—	NA	—	NA	—	NA	—	NA	—	—	—
YoY	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Packaging and Containers Total	18,742	100.0	18,776	100.0	19,021	100.0	19,379	100.0	19,375	100.0	19,074	100.0	18,488	100.0	19,247	100.0	19,207	100.0	18,102	100.0	(0.3)	(1.4)
YoY	0.5	0.2	0.2	1.3	1.9	1.9	1.9	0.0	0.0	(1.6)	(3.1)	4.1	(0.2)	(5.8)	(5.8)	(0.2)	(5.8)	(5.8)	(5.8)	(0.3)	(1.4)	

Source: compiled by SIR from Packaging and Containers Shipment Value and Volume Statistics annual reports by Japan Packaging Institute. **Note: 2023 figures include some estimates for the 4Q. *Note: since volume units for other materials differ, they are excluded from the volume total.

Ongoing strong growth in B2C E-commerce (merchandising sector)

- METI has conducted the "E-commerce Market Survey" every year since 1998 to analyze the changes and effects on the economy and society caused by the development and expansion of the use of e-commerce by businesses and consumers. The main survey items include the market scale of B2B and B2C e-commerce, the EC ratio (the ratio of the value of online transactions to the value of total transactions), and trends in the use of e-commerce by businesses and consumers. The B2C EC market is classified under 3 sectors: 1) merchandising sector, 2) service sector (travel, financial, eating and drinking services, etc.) and 3) digital sector (online games, paid video/music distribution, e-books, etc.), and the EC ratio is only calculated for the merchandising sector.
- As can be seen from the graph below and the table on P14, the B2C EC market for the merchandising sector in CY2020 jumped +21.7% YoY in the wake of calls to stay home aimed at combating the spread of COVID-19. Food, beverages and alcohol increased +21.1% YoY, and home appliances, AV equipment, PCs/peripherals, etc. surged +28.8% YoY as office workers upgraded their studies to enable remote working.
- Following the special demand boost from COVID-19, the YoY growth rate of the merchandising sector has slowed: CY2021 +8.6% → CY2022 +5.4% → CY2023 +4.8%. However, analysis by METI concludes that this is only a reactionary deceleration from the special COVID demand, and the underlying high growth trend is continuing, as shown by the EC ratio which is still only 9.4%. For reference, in CY2023, the scale of the domestic B2B business EC market increased +10.7% YoY to JPY 465.2 trillion, and the EC ratio increased 2.5pp to 40.0%, showing the underlying high growth trend is continuing. 5-year CAGR for the B2C merchandising sector is +9.6%.

Trend of Japan B2C E-Commerce Market Scale: Merchandising Sector



Source: compiled by SIR from METI "E-Commerce Market Survey" annual reports.

Trend of Japan B2C E-Commerce Market Scale by Classification: Merchandising Sector

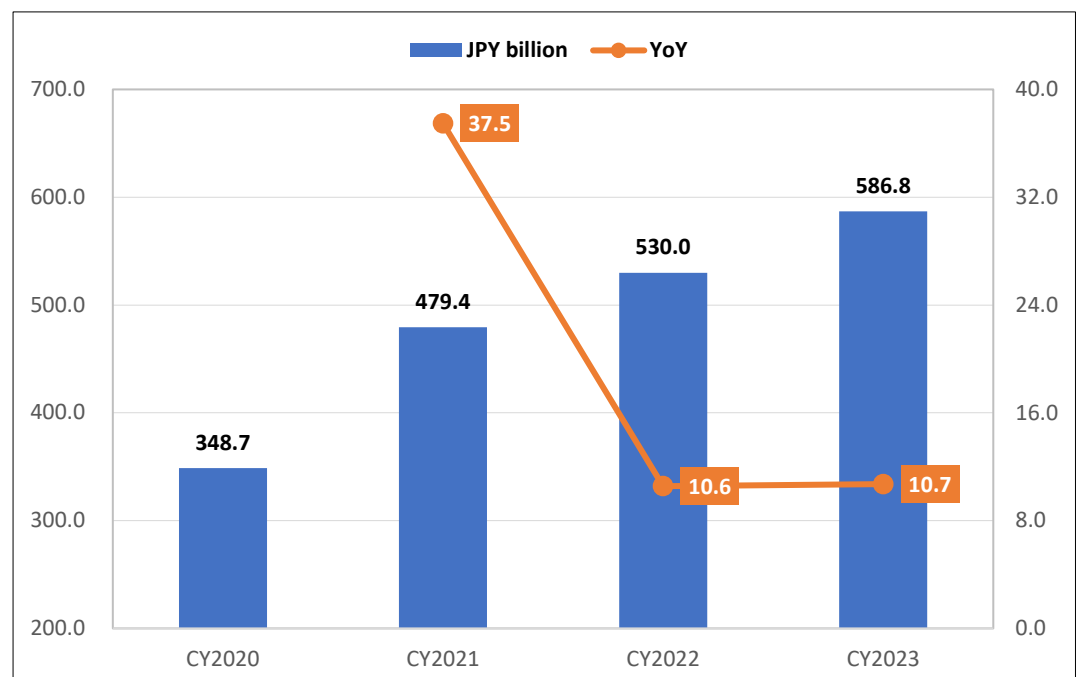
Classification	CY2017		CY2018		CY2019		CY2020		CY2021		CY2022		CY2023		5Y
	¥ bn	EC ratio	¥ bn	EC ratio	¥ bn	EC ratio	¥ bn	EC ratio	¥ bn	EC ratio	¥ bn	EC ratio	¥ bn	EC ratio	CAGR
① Food, beverages, alcohol YoY	1,557.9	2.4%	1,691.9	2.6%	1,823.3	2.9%	2,208.6	3.3%	2,519.9	3.8%	2,750.5	4.2%	2,929.9	4.3%	+11.6%
	—	—	+8.6%	—	+7.8%	—	+21.1%	—	+14.1%	—	+9.2%	—	+6.5%	—	—
② Home appliances, AV equipmt, PCs/peripherals, etc. YoY	1,533.2	30.2%	1,646.7	32.3%	1,823.9	32.8%	2,348.9	37.5%	2,458.4	38.1%	2,552.8	42.0%	2,683.8	42.9%	+10.3%
	—	—	+7.4%	—	+10.8%	—	+28.8%	—	+4.7%	—	+3.8%	—	+5.1%	—	—
③ Books, video/music software YoY	1,113.6	26.4%	1,207.0	30.8%	1,301.5	34.2%	1,623.8	43.0%	1,751.8	46.2%	1,822.2	52.2%	1,886.7	53.5%	+9.3%
	—	—	+8.4%	—	+7.8%	—	+24.8%	—	+7.9%	—	+4.0%	—	+3.5%	—	—
④ Cosmetics, pharmaceuticals YoY	567.0	5.3%	613.6	5.8%	661.1	6.0%	778.7	6.7%	855.2	7.5%	919.1	8.2%	970.9	8.6%	+9.6%
	—	—	+8.2%	—	+7.8%	—	+17.8%	—	+9.8%	—	+7.5%	—	+5.6%	—	—
⑤ Household goods, furniture, interior YoY	1,481.7	20.4%	1,608.3	22.5%	1,742.8	23.3%	2,132.2	26.0%	2,275.2	28.3%	2,354.1	29.6%	2,472.1	31.5%	+9.0%
	—	—	+8.6%	—	+8.4%	—	+22.4%	—	+6.7%	—	+3.5%	—	+5.0%	—	—
⑥ Clothing, accessories, etc. YoY	1,645.4	11.5%	1,772.8	13.0%	1,910.0	13.9%	2,220.3	19.4%	2,427.9	21.2%	2,549.9	21.6%	2,671.2	22.9%	+8.5%
	—	—	+7.7%	—	+7.7%	—	+16.3%	—	+9.4%	—	+5.0%	—	+4.8%	—	—
⑦ Cars, motorcycles/scooters, parts, etc. YoY	219.2	3.0%	234.8	2.8%	239.6	2.9%	278.4	3.2%	301.6	3.9%	318.3	4.0%	322.3	3.6%	+6.5%
	—	—	+7.2%	—	+2.0%	—	+16.2%	—	+8.3%	—	+5.6%	—	+1.3%	—	—
⑧ Other YoY	277.9	0.8%	303.8	0.9%	549.2	1.5%	642.3	1.9%	696.4	2.0%	732.7	1.9%	739.1	1.9%	+19.5%
	—	—	+9.3%	—	+4.8%	—	+17.0%	—	+8.4%	—	+5.2%	—	+0.9%	—	—
TOTAL YoY	8,600.8	5.8%	9,299.2	6.2%	10,051.5	6.8%	12,233.3	8.1%	13,286.5	8.8%	13,999.7	9.1%	14,676.0	9.4%	+9.6%
	—	—	+8.1%	—	+8.1%	—	+21.7%	—	+8.6%	—	+5.4%	—	+4.8%	—	—

Source: compiled by SIR from METI "E-Commerce Market Survey" annual reports. *Note: segment classifications were changed from CY2017.

Explosive growth in home delivery of restaurant meals and groceries

- Following on from ongoing growth in the B2C EC merchandising sector, METI added a new classification in the B2C services sector for food delivery service in the 2020 EC Market Survey, reflecting the rapid growth in home delivery of restaurant meals and groceries since about 2016. While the figures in the graph below are those from METI's survey, estimates by various market research firms suggest the actual market size is much higher by as much as 2-3x, and this likely reflects the difficulty in accurately / fully capturing these transactions. METI data 3-year CAGR is +18.9%.
- Naturally, home delivery of restaurant meals is nothing new. Among TSE listed companies, (2484) DEMAE-CAN and (6082) RIDE ON EXPRESS HD, etc. have an established presence. What is new is high double-digit growth being driven by the arrival of foreign capital firms such as UBER EATS which have advanced matching platforms that facilitate large-scale deployment and easy onboarding of thousands of new partner restaurants, CVS and supermarkets, delivery partners, etc., as well as secure payment and online order tracking capabilities. Other growth drivers include aging of the population, growing preference for time-saving convenience, and unlimited choices for diverse culinary options now extending to fine dining.
- According to an article about Uber Eats Japan that appeared in Diamond Online dated August 14, 2023, the number of active member restaurants (received at least one order in the past month) topped 100,000 in July 2023. Growth has entered a new phase from real stores aiming to supplement revenues during the pandemic, to **growth strategies targeting 40% of total sales from mobile online ordering for home deliveries, i.e. management prioritizing "delivery first" over in-store menus**, re-tooling operations to emphasize delivery marketing, competitive offerings, etc.

Trend of B2C E-Commerce Food Delivery Service (Service Sector)

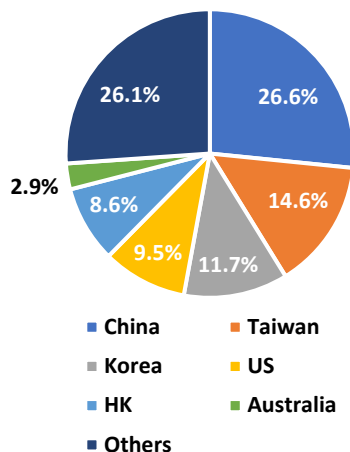


Source: compiled by SIR from METI "E-Commerce Market Survey" annual reports. Diamond Online August 14, 2023 article about Uber Eats Japan LLC partner growth strategies <https://diamond.jp/articles/-/326871> (Japanese only)



According to data by the Japan Department Stores Association, duty-free sales of luxury brand items reached ¥46.3bn (+45.7% YoY) in August, and ¥39.7bn (+21.6% YoY) in September, despite the yen's reversal, posting all-time records for both sales and the number of customers. YTD Jan-Sep duty-free sales of ¥483.8bn are 38.9% higher than all of 2023 of ¥348.4bn.

Breakdown of Jul-Sep 2024 Inbound Consumption of JPY 1,948.0 billion (+41.1% YoY, +64.8% vs. 2019)

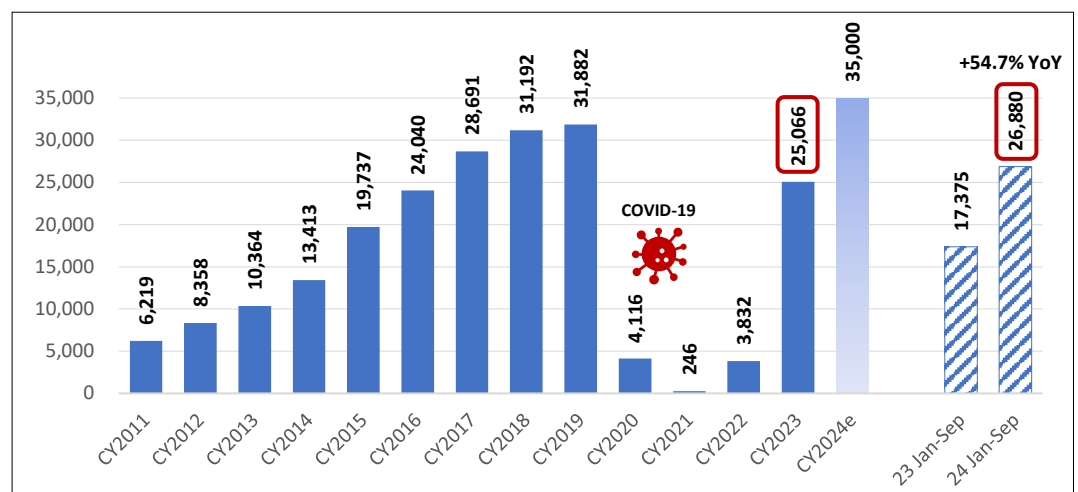


Source: compiled by SIR from Japan Tourism Agency Survey of Consumption Trends among Foreign Visitors.

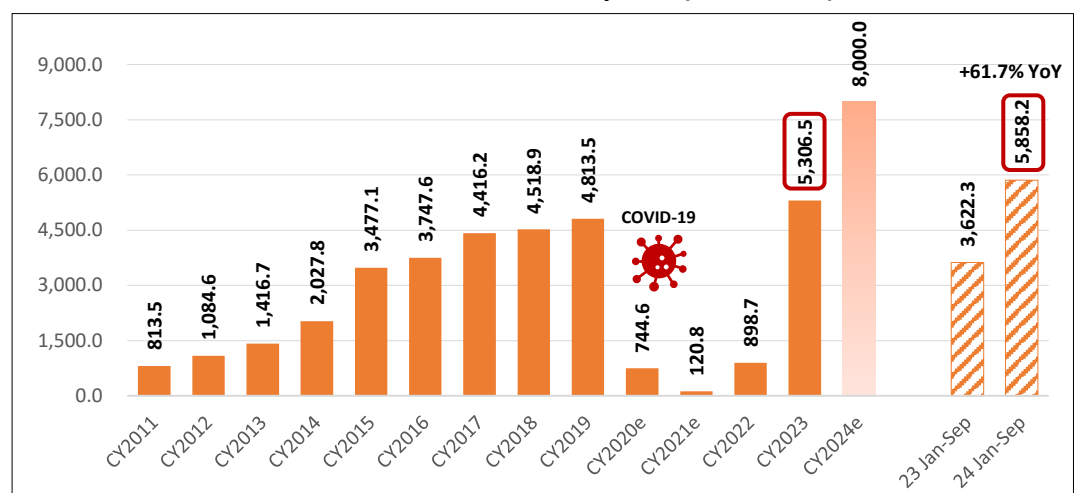
National policy promoting inbound and domestic regional tourism

- Against the backdrop of Japan's socioeconomic environment including such factors as a significant population decline, aging society and long-term national debt equivalent to 170% of the GDP, the government passed the Basic Act on Promotion of Tourism Nation (Act No.117 of 2006), which set forth a roadmap to achieve 30 million foreign visitors. On March 31, 2023, a New "Tourism Nation Promotion Basic Plan" was approved by the cabinet. Key initiatives toward 2025 include: (1) create sustainable tourism destinations, (2) recover inbound tourism, and (3) expand domestic regional exchanges (tourism).
- According to data by the Japan National Tourism Organization (JNTO), which publishes a wide range of travel information in many languages, and is also responsible for collecting Japan tourism statistics, as of September 2024, YTD visitor arrivals topped all of 2023, +54.7% YoY, on course for a new record estimated by the government of 35 million (+39.6% YoY). According to the Japan Tourism Agency (JTA), which was established after passage over the above Act in 2006 as a part of MLIT, YTD inbound consumption similarly topped all of 2023, +61.7% YoY, on course for a new record estimated by the government of JPY 8 trillion (+50.8% YoY).

Trend of Foreign Visitor Arrivals to Japan (000)



Trend of Inbound Consumption (JPY billion)

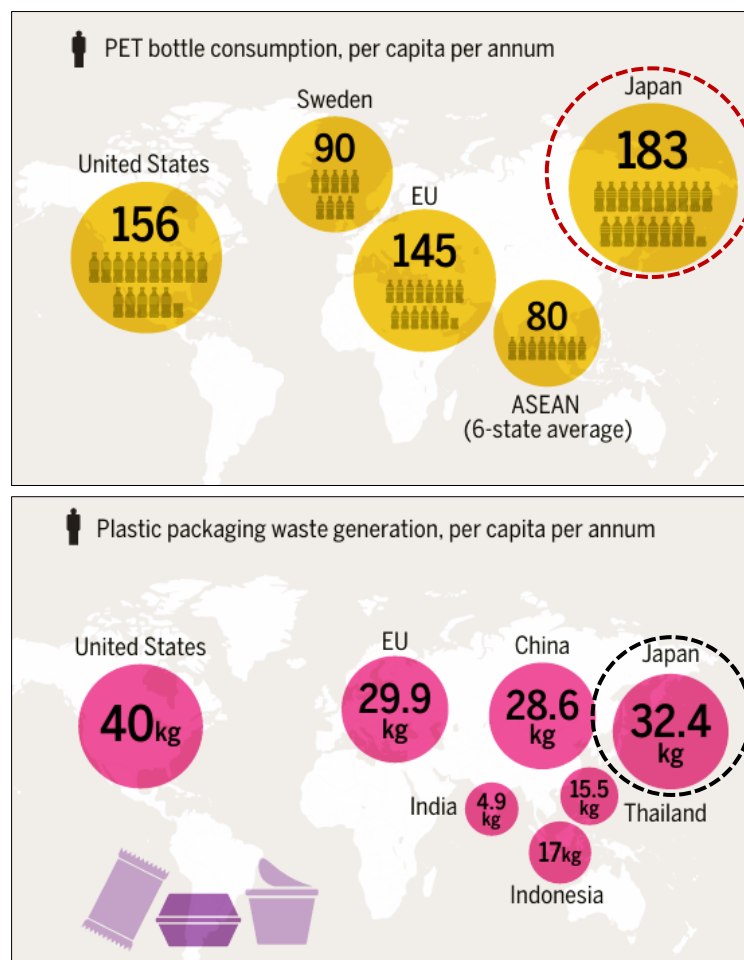


Source: compiled by SIR from JNTO Japan Tourism Statistics and JTA Survey of Consumption Trends among Foreign Visitors.

Urgency to develop recyclable plastics and closed-loop systems

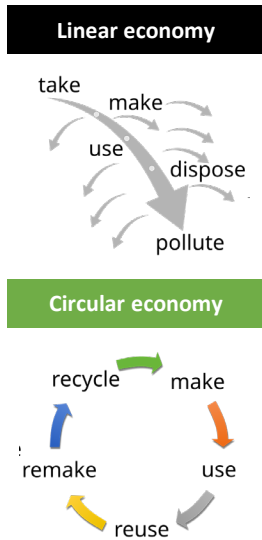
- According to data from Plastic Atlas Asia published by the Institute for Global Environmental Strategies (IGES), Japan has the second highest plastic management index (PMI) in the world after Germany, thanks to its advanced waste management system, and high levels of local cooperation from citizens and companies. Japan is among the top countries in the world in managing PET bottles, with a collection rate of 93% and recycling rate of 86% as of 2019 (PET bottle-specific trash cans installed beside vending machines, strict garbage sorting rules, etc.). However, per capita consumption is also high at 183 bottles per year, for a total of 23.2bn units per year.
- However, waste management policies and their implementation are insufficient for addressing the global marine plastic pollution crisis, with Japan's amount of plastic waste among general waste reaching 4.1 million tons in 2019. **77.2% of this figure consists of single-use containers and packaging.** The average Japanese person uses around 450 plastic shopping bags per year, and Japan ranks second in the world after the US in per capita plastic packaging waste generated at 32.4kg per annum.

Japan's PET bottle collection and recycling rates are among the highest in the world, but per capita consumption is also high. Japan also has the second-highest plastic packaging waste generation per capita per annum after the US.



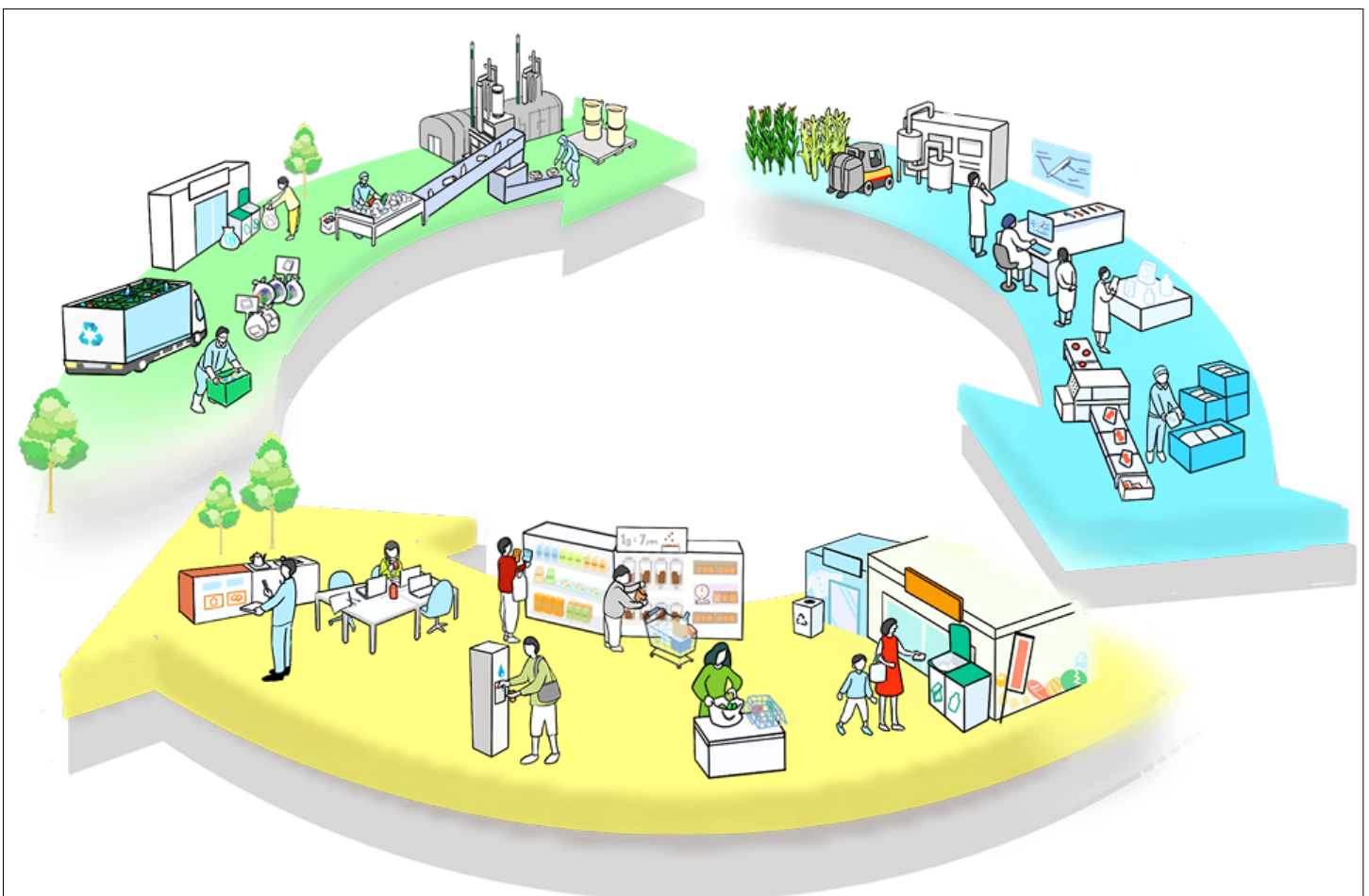
Source: excerpt from Plastic Atlas Asia Japan Special Edition, "JAPAN'S PLASTIC WASTE MANAGEMENT – CHALLENGES AND POTENTIAL SOLUTIONS," Institute for Global Environmental Strategies (IGES), May 2022.

Act on Promotion of Resource Circulation for Plastics (Apr-2022)



- One of the policies formulated by the Abe Administration in 2018 was introducing fees for single-use disposable bags at retail stores before the Tokyo Olympics, which were implemented from July 1, 2020. While the use of plastic bags halved from 200kt in 2019 to 100kt in 2021, that still only accounted for 1.2% of the 8.24mt of plastic waste produced in 2021. Then the Act on Promotion of Resource Circulation for Plastics went into effect April 1, 2022. This involves all stakeholders, including municipalities, businesses and consumers, to promote “3R + Renewable” in each stage of the plastic products lifecycle, from product design to waste disposal.
- Based on the Act, the government published “Guidelines for the Design of Plastic-containing Products” to encourage designers and manufacturers of plastic-containing products to produce environmentally friendly designs. The guideline encourages using recycled plastic and bio-based plastic. Also, the government has introduced a certification scheme to recognize excellent product designs, and preferentially procures such certified products and requires consumers and businesses to use them. Retailers and service providers are required to promote reduction of single-use disposable plastic. **The aim is to create closed-loop recycling where a product or material can be used and then turned into a new product or converted back to raw material indefinitely (without losing its properties).**

Illustration of plastic resource circulation to promote “3R [Reduce, Reuse, Recycle] + Renewable”



Source: excerpt from press release by the Cabinet Office, Government of Japan

Examples of recycling solutions released by SHIMOJIMA – 1

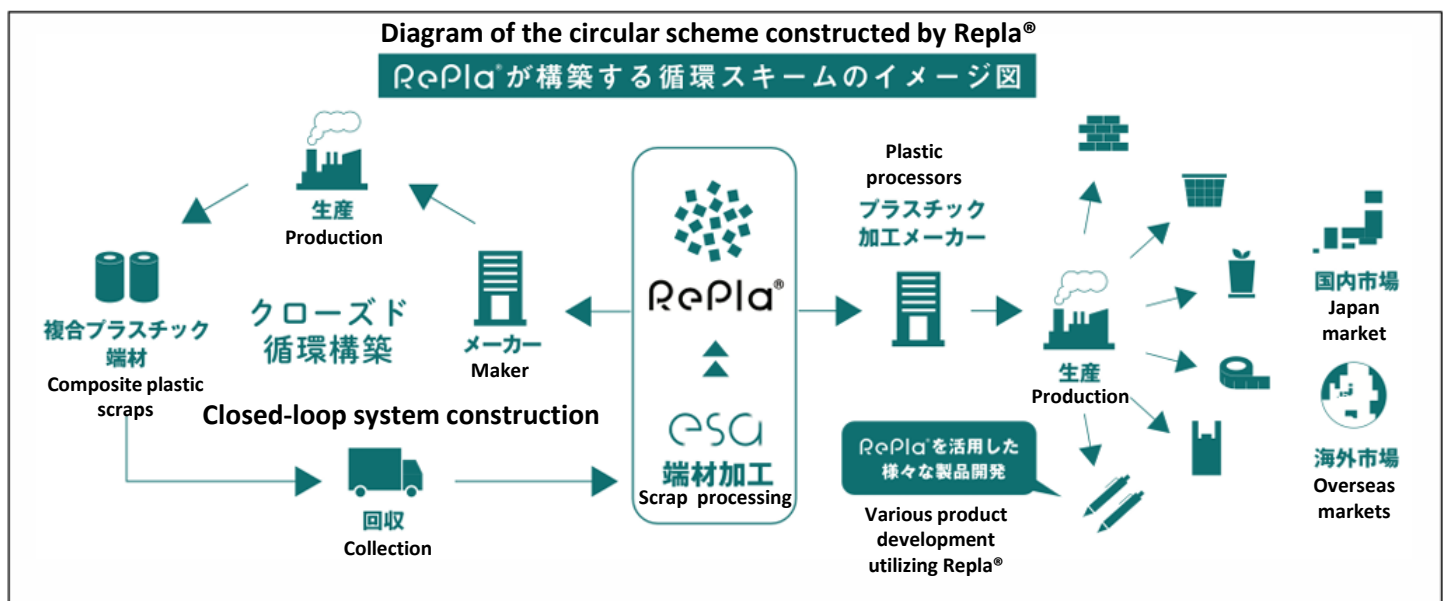
Striving to achieve zero plastic waste

In Japan, only about 25% of industrial waste plastics, including packaging scraps, are recycled due to quality and recycling technology limitations. Approximately 60% are incinerated to generate electricity and other forms of energy. The remaining 15% of plastics are either buried in landfills or shipped to developing countries for disposal. **Decarbonization will not progress unless this is addressed by introducing closed-loop recycling.**



- In a press release “Development and Sales of Plastic Shopping Bags and Garbage Bags Using Repla® Recycled Plastic Material” dated January 10, 2024, SHIMOJIMA announced that along with partners esa Inc. (Environmental Solutions Architect, pellet production from recycling of composite plastic) and major package manufacturer Sagasiki Co., Ltd., that it has jointly developed and launched low-energy and low-cost plastic shopping bags and garbage bags utilizing Repla®, an eco-friendly recycled plastic material.
- Repla® was developed from a new recycling solution by esa that allows pelletizing plastics with different structures (composites) in the same process. An example of composite plastic recovery is multilayer film used in cover tape for semiconductors, which contains PE, PS, PET, and other materials in a single product. Previously, discarded materials from factories could only be processed by thermal recycling. However, by combining esa’s proprietary mixing technology of a physical machine structure, and heat and pressure adjustment technology, the “esa method,” plastics made from different structures (composites) can now be simultaneously pelletized, which reduces the hours required in the manufacturing process, and as a result, recycling requires less energy and lower cost.
- SHIMOJIMA is proposing to its affiliated plastic processors the commercialization of the re-pelletized, recycled material Repla® into plastic shopping bags, garbage bags, and various polyethylene bags that meet the needs of the market. The Company believes that expanding the use of products that utilize the recycled raw material Repla® will contribute to the reduction of the burden on the environment and the realization of a sustainable recycling-oriented society.

Closed-loop System Constructed by Recycled Plastic Material Repla®



Source: excerpt from press release “Development and Sales of Plastic Shopping Bags and Garbage Bags Using Repla® Recycled Plastic Material”

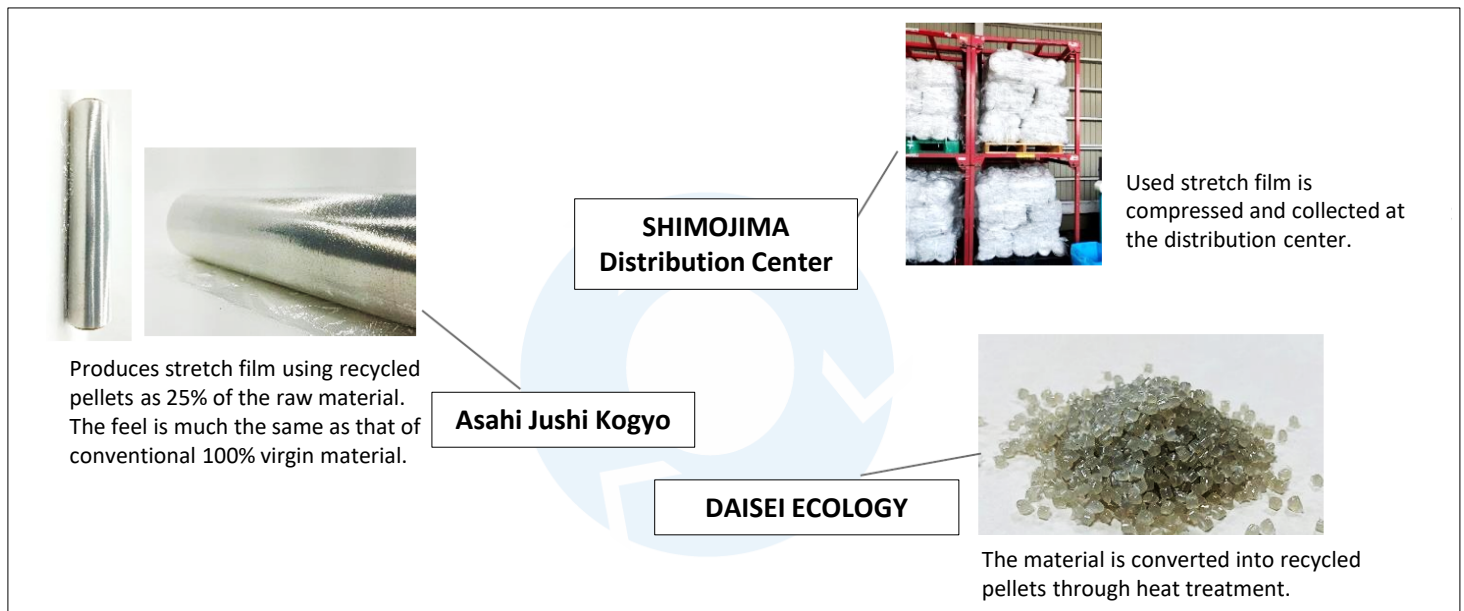
Examples of recycling solutions released by SHIMOJIMA – 2

Use example of stretch film



- In a press release “Started horizontal recycling of used stretch film” dated December 19, 2023, SHIMOJIMA announced that, together with Asahi Jushi Kogyo Co., Ltd. (a SHIMOJIMA Group company), it has launched a “horizontal recycling” initiative to recycle used stretch film collected from SHIMOJIMA distribution centers into new stretch film for use.
- Under the management philosophy of “contributing to the creation of a comfortable society through packaging products and related businesses,” the SHIMOJIMA Group is promoting a wide range of initiatives to realize a recycling-oriented society, which is positioned as a priority materiality issue, including the development and widespread use of environmentally friendly products, closed-loop recycling of used cardboard boxes, and forest conservation activities, among others.
- Horizontal recycling is where used stretch film is collected, recycled, and reborn as stretch film once again. Roughly 8 tons of used stretch film per year will be collected from the Tanuma Distribution Center in Tochigi and Eastern Distribution Center in Saitama, pellets made into recycled raw material by DAISEI ECOLOGY, which Asahi Jushi Kogyo will use a 25% blend ratio to make new stretch film. Inabata & Co., Ltd. (industrial machinery and equipment) is involved in the entire process of collecting and re-pelletizing stretch film under this scheme.
- In the future, the Company plans to expand this initiative to the Osaka distribution center and approaching other business operators in that vicinity.

Diagram of ‘Horizontal Recycling’ of Used Stretch Film into New Stretch Film



Source: excerpt from press release “Started horizontal recycling of used stretch film”

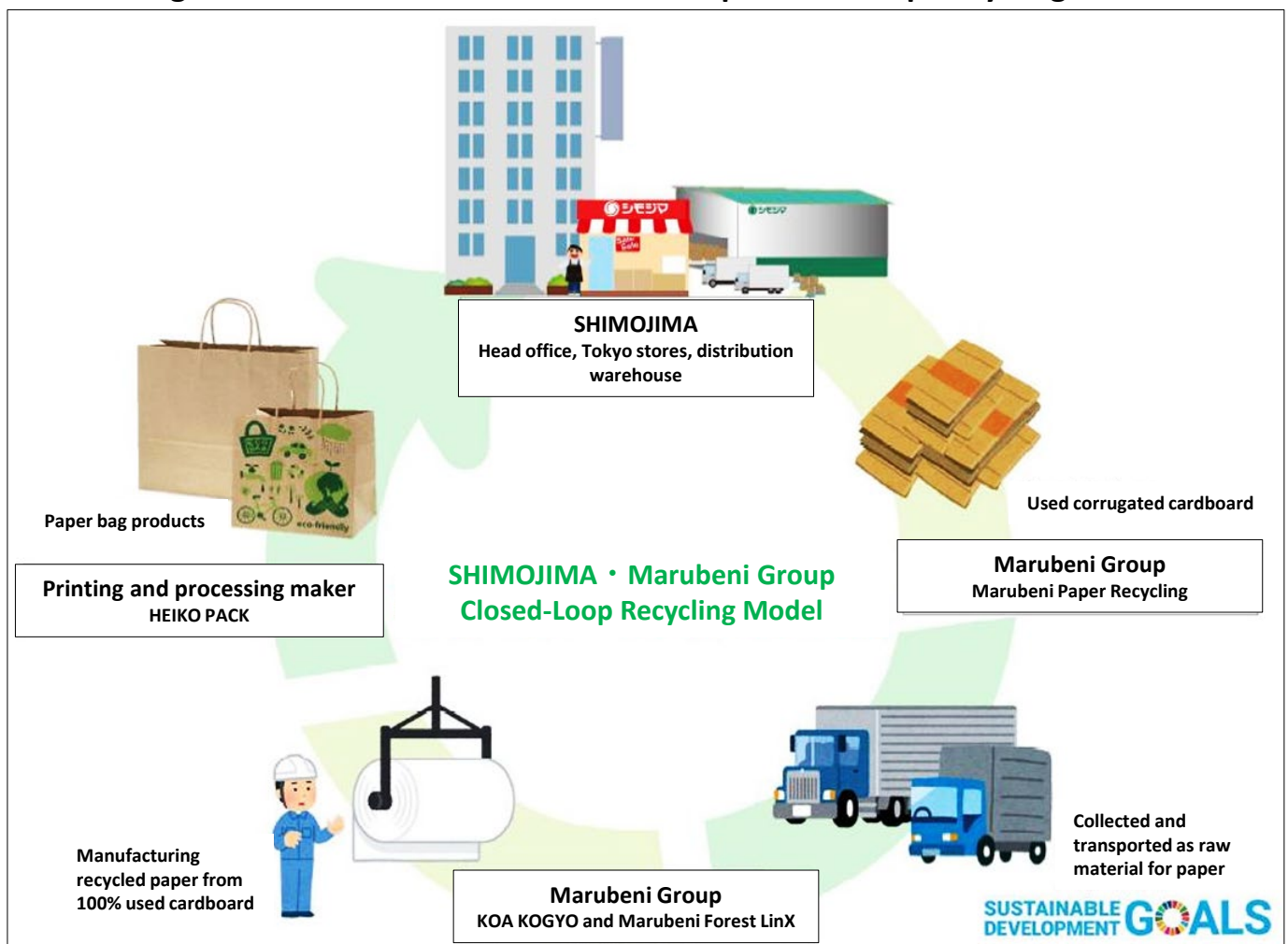
Examples of recycling solutions released by SHIMOJIMA – 3

SHIMOJIMA Online Shop
Home delivery bag



- In a press release “From used cardboard boxes to paper bags... Closed-Loop Recycling for a sustainable society” dated June 9, 2022, SHIMOJIMA announced it has launched a “closed-loop recycling” initiative to produce recycled paper bags from in-house generated cardboard in cooperation with Marubeni Forest LinX Co., Ltd., Marubeni Paper Recycling Co., Ltd., KOA KOGYO CO., LTD. and HEIKO PACK Co., Ltd. (see diagram below). The commercialized paper bags will be sold at SHIMOJIMA’s directly managed stores in Tokyo and SHIMOJIMA online shop.
- In a separate press release dated September 29, 2022, SHIMOJIMA provided further details on this initiative. Used corrugated cardboard, the source of the recycled paper, is collected from a total of seven locations, including the SHIMOJIMA head office, directly managed stores in Tokyo, and distribution centers, all of which is utilized as raw materials. For reference, the amount collected between April and August of 2022 was approximately 94 tons. Following the use of paper bags, the Company will start using newly recycled delivery bags and cardboard containers from November 2022 as part of the shipping materials for customers who purchase products from the SHIMOJIMA Online Shop. The Company will continue to promote recycling of resources by developing a diverse lineup of recycled paper products.

Diagram of SHIMOJIMA • Marubeni Group Closed-Loop Recycling Model



Source: excerpt from press release “From used cardboard boxes to paper bags... Closed-Loop Recycling for a sustainable society”.

Note: Marubeni Paper Recycling was dissolved through an absorption-type merger agreement with Marubeni Forest LinX in Apr-2024.

Examples of recycling solutions released by SHIMOJIMA – 4



-  In a press release “Start of providing cardboard packing boxes through closed-loop recycling of used cardboard” dated November 29, 2024, SHIMOJIMA announced together with Marubeni Forest LinX and retailer KAWAJUN a new initiative to introduce a closed-loop recycling model for KAWAJUN’s KEYUCA chain of lifestyle shops and online shop specializing in home interior products, to produce 100% recycled cardboard packing boxes from in-house generated used cardboard.
-  This basically builds upon the closed-loop recycling model for producing recycled paper shopping bags from used cardboard on the previous page established 2½ years earlier for use within the SHIMOJIMA Group, extending it to a major external retail customer. This initiative is to re-purpose some of the used corrugated cardboard discharged at KAWAJUN’s Imaichi Technical Center. The two Marubeni Group companies, Marubeni Forest LinX and KOA KOGYO, collect a portion of used corrugated cardboard from KAWAJUN’s KEYUCA Business Unit, supply raw materials, and produce and supply the recycled cardboard, while SHIMOJIMA commercializes the cardboard packing boxes. The cardboard packing boxes produced through this initiative will be available from the KEYUCA online store from the beginning of December 2024.

Diagram of new Closed-Loop Recycling Model for Making Cardboard Packing Boxes



Source: excerpt from press release “Start of providing cardboard packing boxes through closed-loop recycling of used cardboard.”

Part ③

Earnings Review

Long-term trend of earnings

- The 10-year trend shown in the table below demonstrates the changing nature of the Group's sales growth and profitability, having entered a new growth phase post-COVID. During the first 5 years from FY14/3 – FY19/3, net sales declined 3 out of the 5 years for 5Y CAGR -0.7%, and OP also declined 3 out of the 5 years for 5Y CAGR of -19.6%. During the next 5 years from FY19/3 – FY24/3, net sales only declined during FY21/3 (COVID outbreak), for 5Y CAGR of 3.9%, and OP 5Y CAGR of 37.2%. 5Y CAGR for total cash dividends in the first 5 years was 0.0%, vs. 18.4% subsequently.

SHIMOJIMA Consolidated Financial Highlights and Key Indicators

JPY mn, % [J-GAAP]	FY15/3 act	FY16/3 act	FY17/3 act	FY18/3 act	FY19/3 act	FY20/3 act	FY21/3 act	FY22/3 act	FY23/3 act	FY24/3 act	10-year CAGR	5-year CAGR	FY25/3 CE
Net sales	47,431	48,278	46,996	46,965	47,696	48,254	47,100	48,063	55,028	57,794	1.6	3.9	61,800
YoY	(3.9)	1.8	(2.7)	(0.1)	1.6	1.2	(2.4)	2.0	14.5	5.0			6.9
<i>by Business Division</i>													
● Marketing and Sales	34,307	35,242	33,959	34,423	35,475	35,991	34,117	34,322	38,708	40,580			
YoY	(1.5)	2.7	(3.6)	1.4	3.1	1.5	(5.2)	0.6	12.8	4.8	1.5	2.7	
● Store Sales	13,124	13,036	13,037	12,587	12,245	11,968	11,163	10,834	11,315	11,362			
YoY	(9.7)	(0.7)	0.0	(3.5)	(2.7)	(2.3)	(6.7)	(2.9)	4.4	0.4	(2.4)	(1.5)	
● Online (EC) Sales	—	—	—	—	—	—	1,971	2,906	5,005	5,851			
YoY							—	47.4	72.2	16.9	—	—	
<i>by Product Segment</i>													
● Plastic Products and Packaging Materials	25,160	25,775	25,076	25,385	25,941	26,408	25,545	26,948	31,836	34,166			
YoY	(2.1)	2.4	(2.7)	1.2	2.2	1.8	(3.3)	5.5	18.1	7.3	2.9	5.7	
● In-Store Equipment and Supplies	12,959	12,898	12,438	12,141	12,449	12,494	13,248	12,084	13,193	13,475			
YoY	(6.7)	(0.5)	(3.6)	(2.4)	2.5	0.4	6.0	(8.8)	9.2	2.1	(0.3)	1.6	
● Paper Products	9,311	9,603	9,481	9,438	9,306	9,351	8,306	9,030	9,998	10,153			
YoY	(4.6)	3.1	(1.3)	(0.5)	(1.4)	0.5	(11.2)	8.7	10.7	1.6	0.4	1.8	
Gross profit	14,586	15,056	15,259	15,260	14,807	15,313	15,061	14,971	17,543	19,173	2.3	5.3	
GPM %	30.8%	31.2%	32.5%	32.5%	31.0%	31.7%	32.0%	31.1%	31.9%	33.2%			
SG&A expenses	13,233	13,468	13,402	13,725	14,137	14,807	14,786	14,927	15,531	15,910	1.8	2.4	
% net sales	27.9%	27.9%	28.5%	29.2%	29.6%	30.7%	31.4%	31.1%	28.2%	27.5%			
Depreciation and amortization	977	931	837	751	708	770	942	923	1,037	1,078			
EBITDA (OP + depreciation and amort.)	2,330	2,518	2,693	2,285	1,378	1,275	1,217	967	3,048	4,340	3.7	25.8	
Operating profit	1,353	1,587	1,856	1,534	670	505	275	44	2,011	3,262	5.1	37.2	3,800
YoY	(32.0)	17.3	17.0	(17.3)	(56.3)	(24.6)	(45.5)	(84.0)	4,470.5	62.2			16.5
OPM %	2.9%	3.3%	3.9%	3.3%	1.4%	1.0%	0.6%	0.1%	3.7%	5.6%			6.1%
Ordinary Profit	1,653	1,690	2,059	1,785	872	732	552	380	2,388	3,623	5.5	33.0	4,000
Total income taxes	666	679	658	615	333	339	26	167	898	1,154			
Profit ATOP	813	1,051	1,197	1,094	513	331	(331)	86	1,542	2,372	6.4	35.8	2,500
<i>JPY mn, %</i>													
<i>[J-GAAP]</i>													
Total assets	38,042	38,461	39,370	39,971	39,595	39,365	38,293	37,756	40,023	43,407	1.3	1.9	
Total shareholders' equity	31,395	31,691	32,691	33,420	33,039	32,812	32,173	31,565	32,616	34,690	1.1	1.0	
Shareholders' equity ratio	82.5%	82.4%	83.0%	83.6%	83.4%	83.4%	84.0%	83.6%	81.5%	79.9%			
Total cash dividends	523	515	515	516	511	627	511	511	512	1,190	8.9	18.4	
DOE (Divs paid / avg. total SE)	1.7%	1.6%	1.6%	1.6%	1.5%	1.9%	1.6%	1.6%	1.6%	3.5%			
Profit ATOP	813	1,051	1,197	1,094	513	331	(331)	86	1,542	2,372	6.4	35.8	
Payout ratio	64.3%	49.0%	43.0%	47.2%	99.6%	189.4%	NM	594.2%	33.2%	50.2%			50.4%
ROE (Profit ATOP / avg. total SE)	2.6%	3.3%	3.7%	3.3%	1.5%	1.0%	-1.0%	0.3%	4.8%	7.0%			
NOPAT (OP - income taxes)	687	908	1,198	919	337	166	249	(123)	1,113	2,108	7.2	44.3	
Invested capital (IBD + net assets)	32,155	32,470	33,410	34,151	33,673	33,609	32,839	32,221	33,104	35,180	1.0	0.9	
● Interest-bearing debt	738	731	649	646	531	681	614	599	425	424	(5.4)	(4.4)	
● Net assets	31,417	31,739	32,761	33,505	33,142	32,928	32,225	31,622	32,679	34,756	1.1	1.0	
ROIC (NOPAT / avg. invested capital)	2.1%	2.8%	3.6%	2.7%	1.0%	0.5%	0.7%	-0.4%	3.4%	6.2%			

Source: compiled by SIR from TANSIN Financial Results Summaries, YUHO Annual Securities Reports, and IR results briefing materials.

Note: profit ATOP = profit attributable to owners of parent.

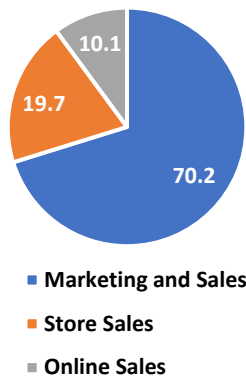
Review of FY24/3 financial results and FY25/3 initial forecasts

- FY24/3 was characterized by two upward revisions and marked improvement in profitability, culminating with a change in the policy on shareholder returns, from aiming for a 30% payout ratio to aiming for a 50% payout ratio, as can be seen from the table below. Factors driving the +5.0% increase in net sales are circled in red in the sales matrix at the bottom of the page. By sales channel (business division), Marketing and Sales got a boost from expanding sales of environmentally friendly products and focus on winning orders for custom-made products, and Online Sales grew by increasing both the number of registered products (SKUs topped 1mn) and registered members. By segment, Plastic Products and Packaging Materials got a...

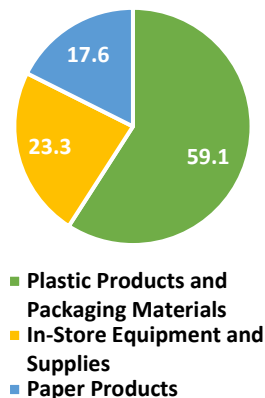
(continued)

...boost from the development and expansion of environmentally friendly products, and favorable growth in existing products (checkout bags, garbage bags, cups, etc.)

FY24/3 Business Divisions



FY24/3 Product Segments



FY24/3 Consolidated Results and FY25/3 Initial Forecasts

JPY mn, % yen per share	FY23/3 act	Ratio to sales	FY24/3 init CE	Ratio to sales	FY24/3 act	Ratio to sales	FY25/3 init CE	Ratio to sales
Net sales	55,028	100.0	57,600	100.0	57,794	100.0	61,800	100.0
YoY	14.5		4.7→	5.0		6.9	
Gross profit	17,543	31.9	—		19,173	33.2	—	
YoY	17.2				9.3			
SG&A expenses	15,531	28.2	—		15,910	27.5	—	
YoY	4.0				2.4			
Operating profit	2,011	3.7	2,100	3.6	3,262	5.6	3,800	6.1
YoY	45.7x		4.4→	62.2		16.5	
Ordinary profit	2,388	4.3	2,400	4.2	3,623	6.3	4,000	6.5
YoY	528.4		0.5		51.7		10.4	
Profit ATOP	1,542	2.8	1,600	2.8	2,372	4.1	2,500	4.0
YoY	17.7x		3.8		53.8		5.4	
EPS (¥)	66.23		68.69		101.74		107.19	
DPS (¥)	22.00		22.00→	51.00		54.00	
BPS (¥)	1,399.70		—		1,486.68		—	

Source: compiled by SIR from TANSIN Financial Results Summaries.

FY23/3 Business Division and Product Segment Matrix

JPY mn %	Paper Products	Plastic Products and Packaging Materials	In-Store Equipment and Supplies	Total net sales to external customers
Marketing and Sales	7,141	24,522	7,044	38,708
YoY	9.0	16.7	4.2	12.8
Store Sales	1,790	5,117	4,407	11,315
YoY	8.7	14.6	(6.7)	4.4
Online (EC) Sales	1,067	2,196	1,741	5,005
YoY	28.4	49.2	188.7	72.2
Total net sales	9,998	31,836	13,193	55,028
YoY	10.7	18.1	9.2	14.5

FY24/3 Business Division and Product Segment Matrix

JPY mn %	Paper Products	Plastic Products and Packaging Materials	In-Store Equipment and Supplies	Total net sales to external customers
Marketing and Sales	7,134	26,292	7,153	40,580
YoY	(0.1)	7.2	1.5	4.8
Store Sales	1,807	5,171	4,382	11,362
YoY	0.9	1.1	(0.6)	0.4
Online (EC) Sales	1,210	2,701	1,939	5,851
YoY	13.4	23.0	11.4	16.9
Total net sales	10,153	34,166	13,475	57,794
YoY	1.6	7.3	2.1	5.0

Source: compiled by SIR from YUHO Annual Securities Reports. Note: reportable segments are Product Segments.

(continued)

...improving (YoY growth of both cost of sales and SG&A expenses was lower than YoY growth in net sales).

Initial targets for the 5Y MTP for FY22/3 – FY26/3 were set in Nov-2021, 1½ years after the outbreak of COVID-19 and six months after CEO Kasai assumed office as the first regular employee promoted up through the ranks to CEO.

Final year targets for FY26/3 of OPM 3.0% and ROA 5.0%, were achieved in the first 2 years in FY23/3 with OPM 3.6% and ROA 5.9% on the strong recovery in profitability.

OPM and ROA targets were revised up in Aug-2023 to 4.0% and 6.3% after strong Q1 FY24/3 results, and again in Nov-2023 to 5.5% and 8.5% after strong 1H FY24/3 results.

Priority initiatives and strategies of the 5-Year MTP through FY26/3 as well as measures to achieve management conscious of cost of capital/share price are summarized on PP26-28.

Review of FY24/3 results continued

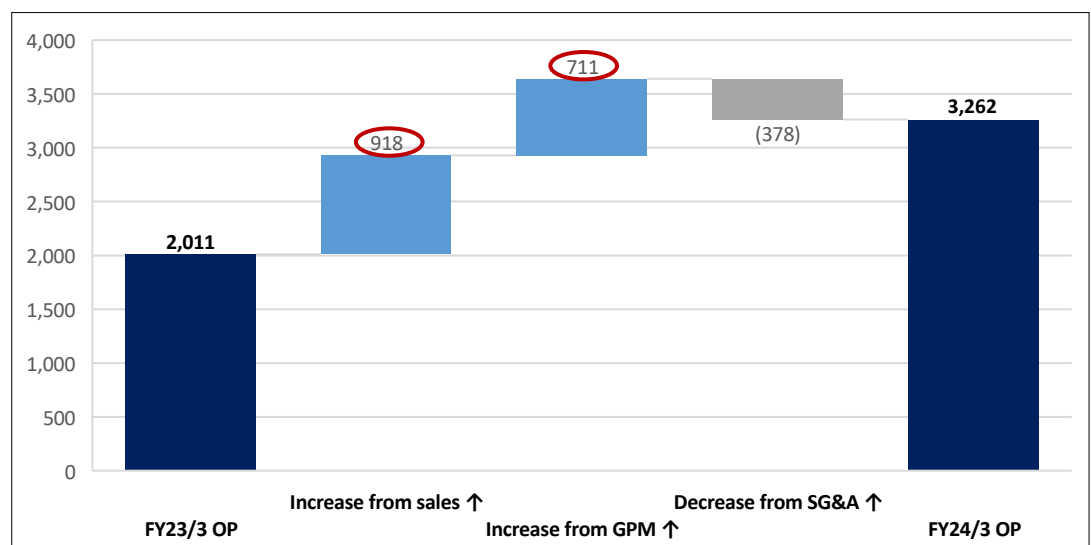
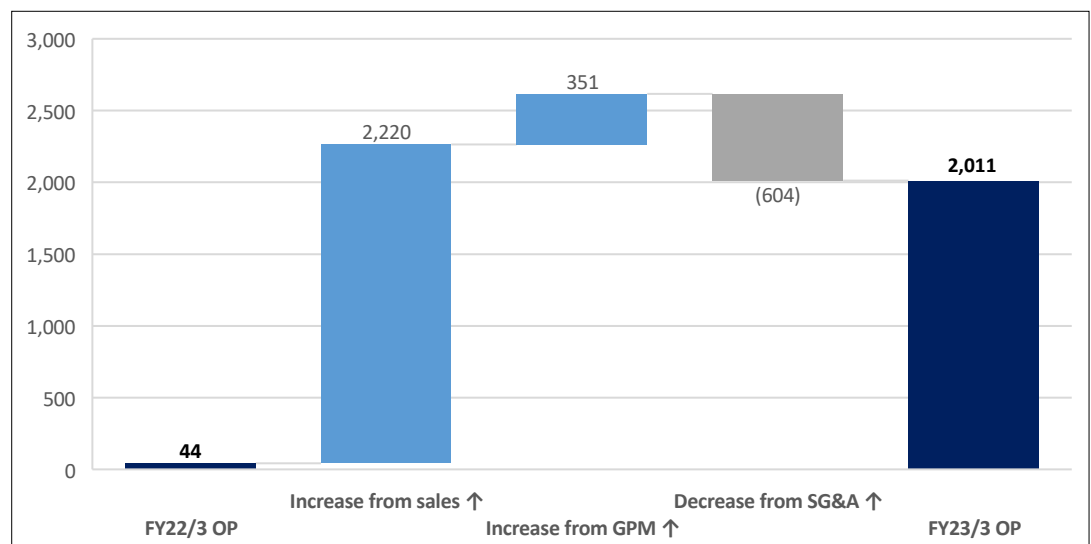
- As can be seen from the table and bottom graph below, OP increased significantly by +62.2% YoY (OPM 3.7% → 5.6%), driven by both the increase in sales and increase in GPM (+1.3pp), as well as the improvement in the ratio of SG&A expense to sales (-0.7pp). This marked the second consecutive year of both GPM and OPM...

Trend of Cost of Sales, GP, SG&A Expenses and OP (JPY million)

JPY mn, %	FY23/3 act	Ratio to sales	CHG AMT	YOY PCT	FY24/3 act	Ratio to sales	CHG AMT	YOY PCT
Net sales	55,028	100.0%	6,965	14.5	57,794	100.0%	2,766	5.0
Cost of sales	37,485	68.1%	4,394	13.3	38,621	66.8%	1,136	3.0
Gross profit	17,543	31.9%	2,572	17.2	19,173	33.2%	1,629	9.3
SG&A expenses	15,531	28.2%	604	4.0	15,910	27.5%	378	2.4
• Logistics costs	4,480	8.1%	(23)	(0.5)	4,458	7.7%	(22)	(0.5)
• Personnel exp.	6,665	12.1%	344	5.4	6,749	11.7%	84	1.3
• Admin exp.	4,385	8.0%	283	6.9	4,702	8.1%	316	7.2
Operating Profit	2,011	3.7%	1,967	45.7x	3,262	5.6%	1,251	62.2

Source: compiled by SIR from FY23/3 and FY24/3 IR results briefing materials.

Increase/Decrease OP Change Factor Analysis for FY23/3 and FY24/3 (JPY million)



Source: compiled by SIR from FY23/3 and FY24/3 IR results briefing materials.

Priority initiatives and strategies of 5-Year MTP through FY26/3

- The MTP is based on three pillars: (1) business expansion, (2) strengthening the management base, and (3) reinforcement of the management structure. For the long-term policy of business expansion, the Group is focusing on two measures: (1) strengthening sales capabilities, (2) strengthening product competitiveness.
- **(1) Strengthening sales capabilities: “SHIMOJIMA Online Shop 1,000,000 × 1,000,000 Project” initiative.** One of the goals of the MTP ending FY26/3 was to increase the number of products registered on “SHIMOJIMA Online Shop” to one million SKUs, and to increase the number of registered site members to one million, and the number of products was achieved two years early in FY24/3 through strengthening relationships with suppliers. Regarding measures to increase the number of site members, SHIMOJIMA is conducting different solicitation activities for each industry by utilizing CRM data, which manages customer relationships and communications, to deepen those relationships over the long term. The Company is also incorporating measures such as issuing discount coupons and conducting various membership campaigns, aiming to reach the target of 1 million registered members by March 2026 (735,000 as of March 31, 2024).
- **(2) Measures to strengthen product competitiveness: Development and diffusion of “environmentally friendly products.”** As a trading company specializing in packaging products, SHIMOJIMA is actively promoting SDGs activities and focusing on the development and spread of environmentally friendly products. This goes directly to growth driver 4: “Urgency to develop recyclable plastics and closed-loop systems,” summarized with three examples in pp17-22 in PART TWO. The point for the Company’s earnings is that these are high value-added products, and demand will only continue to grow going forward.
- The 5-year MTP for FY22/3 – FY26/3 was created in Nov-2021 (a year and a half after the outbreak of COVID-19), setting targets for the final year of net sales JPY 65.0 billion, OPM 3.0% and ROA 5.0%, subsequently achieving OPM 3.6% and ROA 5.9% in FY23/3, in the first two years, on the strong recovery in profitability. OPM and ROA targets were revised up to 4.0% and 6.3% in Aug-2023 after strong Q1 FY24/3 results, and again in Nov-2023 to 5.5% and 8.5% after strong 1H results and first upward revision to full-term FY24/3 forecasts. In order to achieve the revised MTP targets, the following four measures were added.
- **The first is measures related to strengthening sales capabilities.** The Company laid out measures for each of the three sales channels. In addition to traditional slow and steady efforts in face-to-face sales and face-to-face customer service, focus on DX, with an emphasis on improving both CX (customer experience) and EX (employee experience). In addition to general packaging supplies and materials, the Marketing and Sales Division promotes products that specialize in packaging materials for individual industries, such as floral materials, foodstuffs, agricultural materials, and industrial plant-related materials, etc. The Store Sales Division promotes store openings in narrow store properties and a dominant area strategy. The Online (EC) Sales Division aims to further improve business performance by enhancing web advertising and increasing the ability to attract customers.

The following section is summarized from the interview with CEO Kasai on PP7-12 titled “TOP MESSAGE” in SHIMOJIMA’s first **Integrated Report 2024** published November 11, 2024 (Japanese only)
https://www.shimojima.co.jp/dcms_media/other/SHIMOJIMA_Integrated_Report_2024_A_3.pdf

Priority initiatives and strategies continued

- **The second is measures related to strengthening product competitiveness.** The Group is striving to be a leader in the industry to develop and promote products that are conscious of the environment and recycling-oriented society. Examples include the proactive development of products made from plant-derived resin and paper bags created through a closed-loop recycling model that reuses cardboard boxes that would otherwise be discarded. The Company is establishing specific goals regarding the development and spread of such environmentally friendly products.
- **The third is measures related to logistics efficiency.** The Company is expanding logistics functionality nationwide, which is essential for business development, to promote greater logistics efficiency. Currently, in addition to the Tanuma Distribution Center (Tochigi Prefecture), which is the mother center, the Eastern Distribution Center (Saitama Prefecture), which specializes in EC business, and in Western Japan, the Higashi Osaka Distribution Center (began operations in Aug-2023) and Osaka Nanko Distribution Warehouse, cover logistics nationwide. The Company is working to address the “2024 Problem,” (arising from the annual cap on driver overtime hours of 960 hours from April 2024 as a result of the Revised Labor Standards Act under Work-Style Reforms-related laws) and is working to create new bases to further improve logistics efficiency. The Company is also actively pursuing M&A opportunities and business alliances with partners that can generate synergy effects.
- **The fourth is measures related to human capital management.** In order for SHIMOJIMA to continue to grow in the future, it is essential to secure a diverse workforce. The Company is actively recruiting human resources in a variety of fields, and it is also increasing employee engagement to make SHIMOJIMA a place where employees can work with vitality and enthusiasm. As part of efforts to create such an environment, the Company is enhancing its training programs to advance the level of each employee. In addition to training, SHIMOJIMA actively encourages employees to participate in outside seminars and pays for the expense. Since the DX strategy is a Group-wide effort, the Company is implementing job rotation, and it is encouraging innovation and new ideas based on diversity and inclusion.
- Drafting the next MTP is currently underway, and in terms of sales, in strengthening the approach to potential customers that have not yet been reached, the Company opened Package Plaza Ayase in Nov-2023, its first directly managed store in Adachi-Ku, Tokyo. The store property has a narrow sales area of less than 50 square meters, and it is being operated as an experimental omnichannel store under a hybrid of traditional face-to-face detailed customer service combined with utilizing CRM data to make proposals through mutual collaboration with each sales division. In conjunction, there are constant efforts to improve SHIMOJIMA Online Shop to make it more attractive, with the primary goal of increasing awareness.
- Regarding the development of new suppliers, the Company is considering assigning an overseas representative to obtain more detailed local information and establish new routes as part of the Company’s supply chain. In product planning, planning and development of environmentally friendly products remains a top priority.

Measures to achieve management conscious of cost of capital/ share price

- **Strengthening the management base:** in addition to enhancing sustainability measures going forward, SHIMOJIMA will pursue measures to achieve management conscious of cost of capital and its share price.
- In a press release dated May 13, 2024 “Measures to Achieve Management Conscious of Cost of Capital and Share price,” management provided an analysis of the current situation, summarized in the table below, showing a strong recovery in financial results for FY24/3. In addition to the recovery in business performance, the following factors were cited as additional drivers of the recovery of the share price: enhanced shareholder return policy, the strengthening of IR activities, and improved human capital management including the increase in starting salaries for new graduates, and the reform of the personnel system, all beginning to become understood in the stock market.
- In order to further raise corporate value over the medium- to long-term, management will focus on implementing the business growth strategies summarized on the previous two pages, as well as pursuing the following measures to achieve management conscious of cost of capital and the Company’s share price.
- **Cost of capital and ROE.** The Company assumes its cost of capital is 6.5%, and it will strive to achieve ROE consistently above the cost of equity capital (FY24/3 act 7.1%) and to expand the equity spread (difference between ROE and the cost of equity capital), targeting 8.0% in the current MTP through FY26/3. It is also targeting a P/E ratio above 12.5x and P/B ratio above 1.0x.
- **Shareholders’ equity ratio.** SHIMOJIMA has maintained an equity ratio of approximately 80% of the last 20 years, and intends to maintain a solid financial position, while allocating profits between investments to achieve future growth as well as enhancing shareholder returns. When we asked about this high equity ratio in our interview with management, the Company replied that part of the explanation is the Company’s long history dating back over a century, and conservative financial management policy. SIR believes that steadily increasing leverage/reducing the high equity ratio is one clear path toward raising ROE over the medium-term.
- Initiatives toward improving ROE include: 1) increasing the sales ratio of high margin original products, 2) reviewing the portfolio aiming to withdraw from low margin business while simultaneously raising productivity through development of sales channels, and 3) investing in DX and logistics to raise efficiency of operations.

Trend of Consolidated Financial Indicators

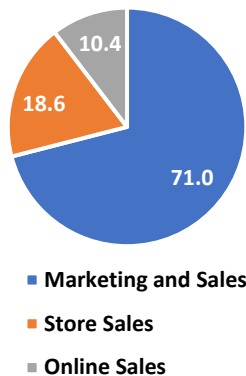
	Unit	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3
Net sales	JPY mn	46,965	47,696	48,254	47,100	48,063	55,028	57,794
Operating profit	JPY mn	1,534	670	505	275	44	2,011	3,262
Profit ATOP	JPY mn	1,094	513	331	(331)	87	1,542	2,372
ROE	%	3.3	1.5	1.0	NM	0.3	4.8	7.1
P/B ratio	times	0.80	0.80	0.86	0.93	0.70	0.70	0.93
P/E ratio	times	24.2	53.3	86.0	NM	233.3	14.5	13.1
FY-end share price	yen	1,144	1,135	1,214	1,289	946	984	1,374

Source: excerpt from 24.5.13 press release "Measures to Achieve Management Conscious of Cost of Capital/Share Price."

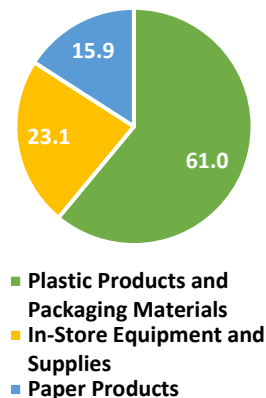
In terms of 1H progress relative to full-term budget, while net sales were effectively in line with the historical average, **profits came in significantly behind the historical averages (see red box)**, mainly due to GPM affected by the yen's sharp depreciation, and salary increases, etc. raising SG&A expenses (see table on P30).

The Company left full-term forecasts unchanged due to 2H accounts for roughly 60% of profits as it includes peak season sales, and price hikes for roughly 80% of products were implemented from September, a portion from October, and management believes it can reach initial targets through a 2H catchup.

1H FY25/3 Business Divisions



1H FY25/3 Product Segments



Review of 1H FY25/3 financial results and FY25/3 full-term outlook

● 1H FY25/3 results were net sales +4.0% YoY (slowing relative to the high base of +8.1% in 1H FY24/3) and operating profit -34.3% YoY. Factors driving the increase in net sales are circled in red in the sales matrix at the bottom of the page. By sales channel (business division), Marketing and Sales got a boost from expanding sales of environmentally friendly products and focus on winning orders for custom-made products, and Online Sales grew by increasing the number of registered products. By segment, Plastic Products and Packaging Materials got a boost from favorable sales of existing products and environmentally friendly products, as well as food packaging materials such as cups, paper containers, cutlery, etc. In-Store Equipment and Supplies benefitted from the recovery of inbound demand driven by the weak yen and brisk demand for summer events.

1H FY25/3 Consolidated Results and FY25/3 Full-term Outlook

JPY mn, %	1H FY25/3 act	Ratio to sales	2H FY25/3 implied CE	Ratio to sales	1H ACH ratio	HIST AVG*	FY25/3 init CE	Ratio to sales
Net sales	29,265	100.0	32,535	100.0	47.4	48.6	61,800	100.0
YoY	4.0		9.7				6.9	
Gross profit	9,275	31.7	—		—		—	
YoY	(0.7)							
SG&A expenses	8,210	28.1	—		—		—	
YoY	6.4							
Operating profit	1,065	3.6	2,735	8.4	28.0	38.4	3,800	6.1
YoY	(34.3)		66.6				16.5	
Ordinary profit	1,178	4.0	2,822	8.7	29.5	39.5	4,000	6.5
YoY	(34.9)		55.6				10.4	
Profit ATOP	821	2.8	1,679	5.2	32.8	42.5	2,500	4.0
YoY	(30.8)		41.7				5.4	

Source: compiled by SIR from TANSIN Financial Results Summaries.

Note: 1H ACH ratio = progress to full-term initial CE. *HIST AVG for FY20/3, FY23/3 and FY24/3 (excl. COVID-19).

1H FY24/3 Business Division and Product Segment Matrix

JPY mn %	Paper Products	Plastic Products and Packaging Materials	In-Store Equipment and Supplies	Total net sales to external customers
Marketing and Sales	3,364	13,021	3,455	19,842
YoY	1.9	11.0	1.3	7.6
Store Sales	834	2,536	2,108	5,478
YoY	4.4	6.2	(0.1)	3.4
Online (EC) Sales	558	1,296	954	2,809
YoY	18.2	30.3	17.9	23.4
Total net sales	4,757	16,854	6,519	28,130
YoY	4.0	11.5	3.0	8.1

1H FY25/3 Business Division and Product Segment Matrix

JPY mn %	Paper Products	Plastic Products and Packaging Materials	In-Store Equipment and Supplies	Total net sales to external customers
Marketing and Sales	3,298	13,802	3,676	20,777
YoY	(2.0)	6.0	6.4	4.7
Store Sales	785	2,584	2,061	5,432
YoY	(5.9)	1.9	(2.2)	(0.8)
Online (EC) Sales	560	1,476	1,019	3,056
YoY	0.4	13.9	6.8	8.8
Total net sales	4,644	17,863	6,757	29,265
YoY	(2.4)	6.0	3.7	4.0

Source: compiled by SIR from YUHO Semiannual Securities Reports. Note: reportable segments are Product Segments.

(continued)

...mainly from planned hikes in base salaries, as well as increase in administrative expenses.

Review of 1H FY25/3 results continued

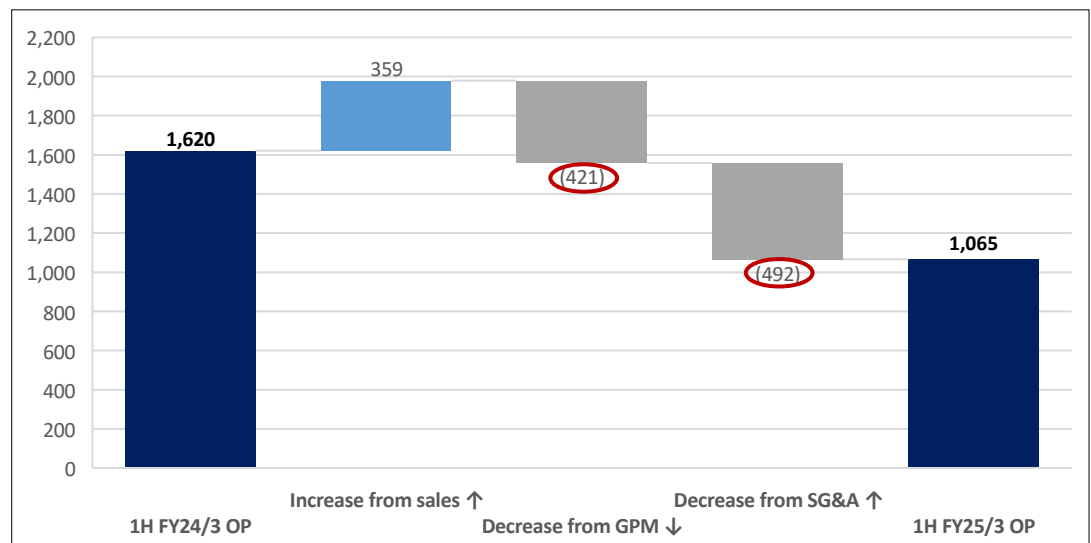
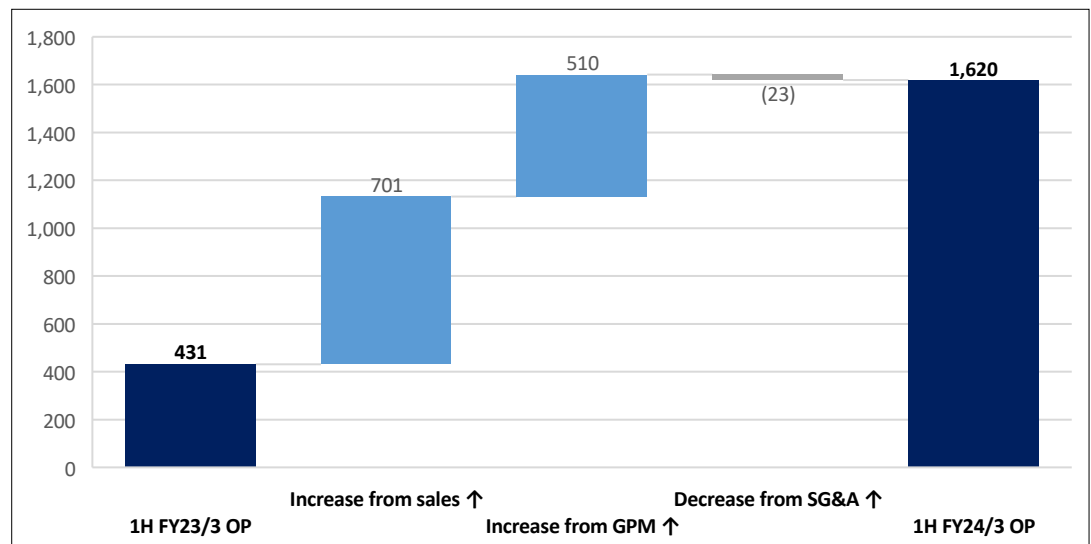
- As can be seen from the table and bottom graph below, OP decreased significantly by -34.2% YoY (OPM 5.8% → 3.6%), driven by both the decrease in GPM (-1.5pp) due to the sharp yen depreciation (YoY growth in cost of sales exceeded that of net sales), as well as the deterioration in the ratio of SG&A expense to sales (+0.7pp)...

Trend of Cost of Sales, GP, SG&A Expenses and OP (JPY million)

JPY mn, %	FY24/3 1H act	Ratio to sales	CHG AMT	YOY PCT	FY25/3 1H act	Ratio to sales	CHG AMT	YOY PCT
Net sales	28,130	100.0%	2,112	8.1	29,265	100.0%	1,135	4.0
Cost of sales	18,791	66.8%	900	5.0	19,990	68.3%	1,198	6.4
Gross profit	9,338	33.2%	1,211	14.9	9,275	31.7%	(62)	(0.7)
SG&A expenses	7,718	27.4%	23	0.3	8,210	28.1%	492	6.4
• Logistics costs	2,182	7.8%	(41)	(1.9)	2,277	7.8%	94	4.4
• Personnel exp.	3,264	11.6%	(26)	(0.8)	3,495	11.9%	231	7.1
• Admin exp.	2,271	8.1%	90	4.2	2,437	8.3%	165	7.3
Operating Profit	1,620	5.8%	1,188	275.6	1,065	3.6%	(555)	(34.2)

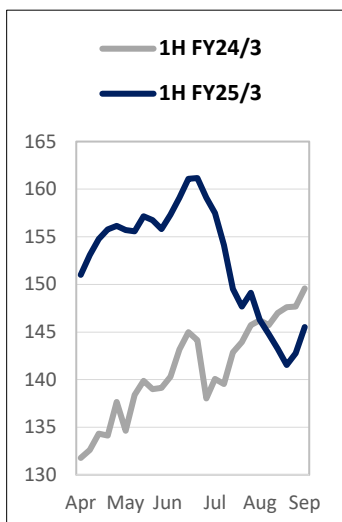
Source: compiled by SIR from 1H FY24/3 and 1H FY25/3 IR results briefing materials.

Increase/Decrease OP Change Factor Analysis for 1H FY24/3 and 1H FY25/3 (JPY million)



Source: compiled by SIR from 1H FY24/3 and 1H FY25/3 IR results briefing materials.

USD-JPY (weekly)



Review of 1H FY25/3 results continued

- In a press release dated November 25, 2024, "Notice of Acquisition of Shares of Okura Sangyo Co., Ltd. (Making it a Subsidiary)," SHIMOJIMA announced that its Board of Directors resolved to acquire the shares of Hokkaido-based supplier of hygiene products to hospitals, nursing care facilities, kindergartens, and other institutions in Hokkaido. Its main products include environmentally friendly plastic bags, gloves, and paper towels, and the company has one of the largest market shares in Hokkaido. SHIMOJIMA determined that these business activities of Okura Sangyo are expected to generate synergy effects with the Company and that making it a subsidiary will contribute to the enhancement and development of the corporate value of the overall SHIMOJIMA Group, and therefore decided to acquire the shares of Okura Sangyo.
- From the its website, established in Aug-1976, Okura Sangyo's head office is located in Sapporo, and its business description is listed as the sales of packaging materials, which include: plastic products (garbage bags, standard plastic shopping bags, plastic wrap, trays, food containers, custom-made products), adhesive tapes (cellophane tape, craft tape, cloth tape, double-sided tape), light packaging (wrapping paper, ribbons, paper bags, string, boxes), packaging materials (cardboard, stretch film, packing, etc.), packaging equipment (automatic box-making machines, sealers, dollies, scales), detergents/sanitizers/shampoos, etc., paper hygiene products (boxes of tissues, toilet paper, kitchen towels, sanitary napkins), and miscellaneous cleaning and bathroom supplies, office stationery supplies, batteries, etc. From the press release, the most recent 3 years of financial information is as follows:

Okura Sangyo Earnings Results and Financial Condition

JPY thou.	FY2022/6	FY2023/6	FY2024/6
Total assets	396,509	388,344	428,068
Net assets	164,900	186,010	197,921
Net sales	1,260,133	1,323,261	1,356,187
Operating profit	7,478	32,787	22,231
Ordinary profit	6,731	32,521	27,021
Net profit	5,967	21,111	19,910

Source: compiled by SIR from notice of acquisition press release.

- Due to the wishes of the seller and the confidentiality agreement between the parties, SHIMOJIMA will refrain from disclosing the details of the shares acquisition. The schedule for the transaction is as follows:

(1) Date of resolution by the Board of Directors	November 25, 2024
(2) Date of contract execution	November 26, 2024 (planned)
(3) Execution date of share transfer	January 17, 2025 (planned)



As reported interim financial statements:

• Consolidated Balance Sheets

Total assets declined JPY 2,240mn mainly due to the JPY 2,177mn decline in cash and deposits as a result of the payments date delayed at the end of last term (March 31 fell on a Sunday). The same factor contributed to the JPY 1,489mn decline in notes and accounts payable – trade.

Retained earnings declined JPY 111mn, which was due to recording interim profit of JPY 822mn and paying interim dividends of JPY 933mn.

	(Millions of yen)	
	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	9,681	7,504
Notes and accounts receivable - trade	7,135	6,927
Electronically recorded monetary claims - operating	1,279	1,340
Merchandise and finished goods	5,197	5,477
Raw materials and supplies	565	531
Other	467	561
Allowance for doubtful accounts	(15)	(15)
Total current assets	24,312	22,326
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,492	5,374
Land	7,760	7,760
Other, net	889	950
Total property, plant and equipment	14,142	14,084
Intangible assets		
Goodwill	289	226
Other	1,035	948
Total intangible assets	1,324	1,175
Investments and other assets		
Other	3,688	3,636
Allowance for doubtful accounts	(60)	(56)
Total investments and other assets	3,627	3,580
Total non-current assets	19,095	18,840
Total assets	43,407	41,167
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,355	2,865
Short-term borrowings	–	56
Current portion of long-term borrowings	9	9
Income taxes payable	799	501
Provision for bonuses	482	492
Provision for bonuses for directors (and other officers)	67	21
Other	1,770	1,477
Total current liabilities	7,485	5,424
Non-current liabilities		
Long-term borrowings	35	31
Retirement benefit liability	288	280
Other	842	887
Total non-current liabilities	1,165	1,198
Total liabilities	8,651	6,623
Net assets		
Shareholders' equity		
Share capital	1,405	1,405
Capital surplus	1,273	1,280
Retained earnings	38,039	37,928
Treasury shares	(349)	(317)
Total shareholders' equity	40,368	40,295
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	378	316
Deferred gains or losses on hedges	40	(49)
Revaluation reserve for land	(6,195)	(6,195)
Remeasurements of defined benefit plans	97	108
Total accumulated other comprehensive income	(5,679)	(5,819)
Non-controlling interests	66	67
Total net assets	34,756	34,543
Total liabilities and net assets	43,407	41,167

As reported interim financial statements:

- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income

OP decreased significantly by JPY 555mn, or -34.2% YoY, driven by both the decrease of JPY 63mn of GP due to the sharp yen depreciation, as well as the increase of SG&A expense by JPY 492mn, mainly from planned hikes in base salaries, as well as increase in administrative expenses.

	(Millions of yen)	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	28,130	29,265
Cost of sales	18,791	19,990
Gross profit	9,338	9,275
Selling, general and administrative expenses	7,718	8,210
Operating profit	1,620	1,065
Non-operating income		
Interest income	0	1
Dividend income	1	4
Rental income	100	86
Foreign exchange gains	16	–
Reversal of allowance for doubtful accounts	17	2
Other	72	69
Total non-operating income	210	164
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	–	31
Rental costs on real estate	11	11
Other	8	7
Total non-operating expenses	20	50
Ordinary profit	1,809	1,178
Extraordinary income		
Surrender value of insurance policies	1	70
Total extraordinary income	1	70
Profit before income taxes	1,810	1,249
Income taxes	621	426
Profit	1,189	822
Profit attributable to non-controlling interests	2	0
Profit attributable to owners of parent	1,187	821

	(Millions of yen)	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,189	822
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(61)
Deferred gains or losses on hedges	74	(89)
Remeasurements of defined benefit plans, net of tax	0	10
Total other comprehensive income	79	(140)
Comprehensive income	1,269	681
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,266	680
Comprehensive income attributable to non-controlling interests	2	0

As reported interim financial statements:

● Consolidated Statements of Cash Flows

Net cash used in operating activities was JPY 997mn (previous term was net cash provided of JPY 2,314mn) mainly due to the JPY 561mn decline in profit before income taxes, and JPY 1,489mn decrease in trade payables (previous term was an increase of JPY 1,554mn).

Net cash used in investing activities was JPY 215mn (previous term was net cash used of JPY 1,196mn), mainly due to the JPY 651mn decline in purchase of PPE, JPY 51mn decline in purchase of intangible assets, and JPY 188mn increase in proceeds from cancellation of insurance.

Net cash used in financing activities was JPY 949mn (previous term was net cash used of JPY 280mn), mainly due to the JPY 932mn in dividends paid (previous term was JPY 253mn in divs paid).

The net decrease in cash and cash equivalents of JPY 2,173mn was due to the aforementioned payments date delayed at the end of last term (March 31 fell on a Sunday) inflating the beginning of period balance.

	(Millions of yen)	
	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,810	1,249
Depreciation	463	492
Amortization of goodwill	62	62
Loss (gain) on sale and retirement of non-current assets	1	–
Surrender value of insurance policies	(1)	(70)
Increase (decrease) in allowance for doubtful accounts	(18)	(4)
Increase (decrease) in retirement benefit liability	34	(7)
Increase (decrease) in provision for bonuses	28	9
Increase (decrease) in provision for bonuses for directors (and other officers)	(74)	(46)
Interest and dividend income	(2)	(6)
Interest expenses	0	0
Foreign exchange losses (gains)	(1)	11
Decrease (increase) in trade receivables	(91)	147
Decrease (increase) in inventories	(345)	(245)
Increase (decrease) in trade payables	1,554	(1,489)
Other, net	(330)	(364)
Subtotal	3,088	(262)
Interest and dividends received	2	6
Income taxes paid	(776)	(740)
Interest paid	0	0
Net cash provided by (used in) operating activities	2,314	(997)
Cash flows from investing activities		
Payments into time deposits	0	(1)
Proceeds from withdrawal of time deposits	–	4
Purchase of property, plant and equipment	(931)	(280)
Purchase of intangible assets	(151)	(100)
Purchase of investment securities	(100)	–
Loan advances	(6)	–
Proceeds from cancellation of insurance funds	31	219
Other, net	(38)	(57)
Net cash provided by (used in) investing activities	(1,196)	(215)
Cash flows from financing activities		
Proceeds from short-term borrowings	30	60
Repayments of short-term borrowings	–	(3)
Repayments of long-term borrowings	(3)	(4)
Repayments of lease liabilities	(53)	(69)
Purchase of treasury shares	0	0
Dividends paid	(253)	(932)
Net cash provided by (used in) financing activities	(280)	(949)
Effect of exchange rate change on cash and cash equivalents	0	(10)
Net increase (decrease) in cash and cash equivalents	837	(2,173)
Cash and cash equivalents at beginning of period	7,111	9,651
Cash and cash equivalents at end of period	7,948	7,477

Part 4 Investor Insights



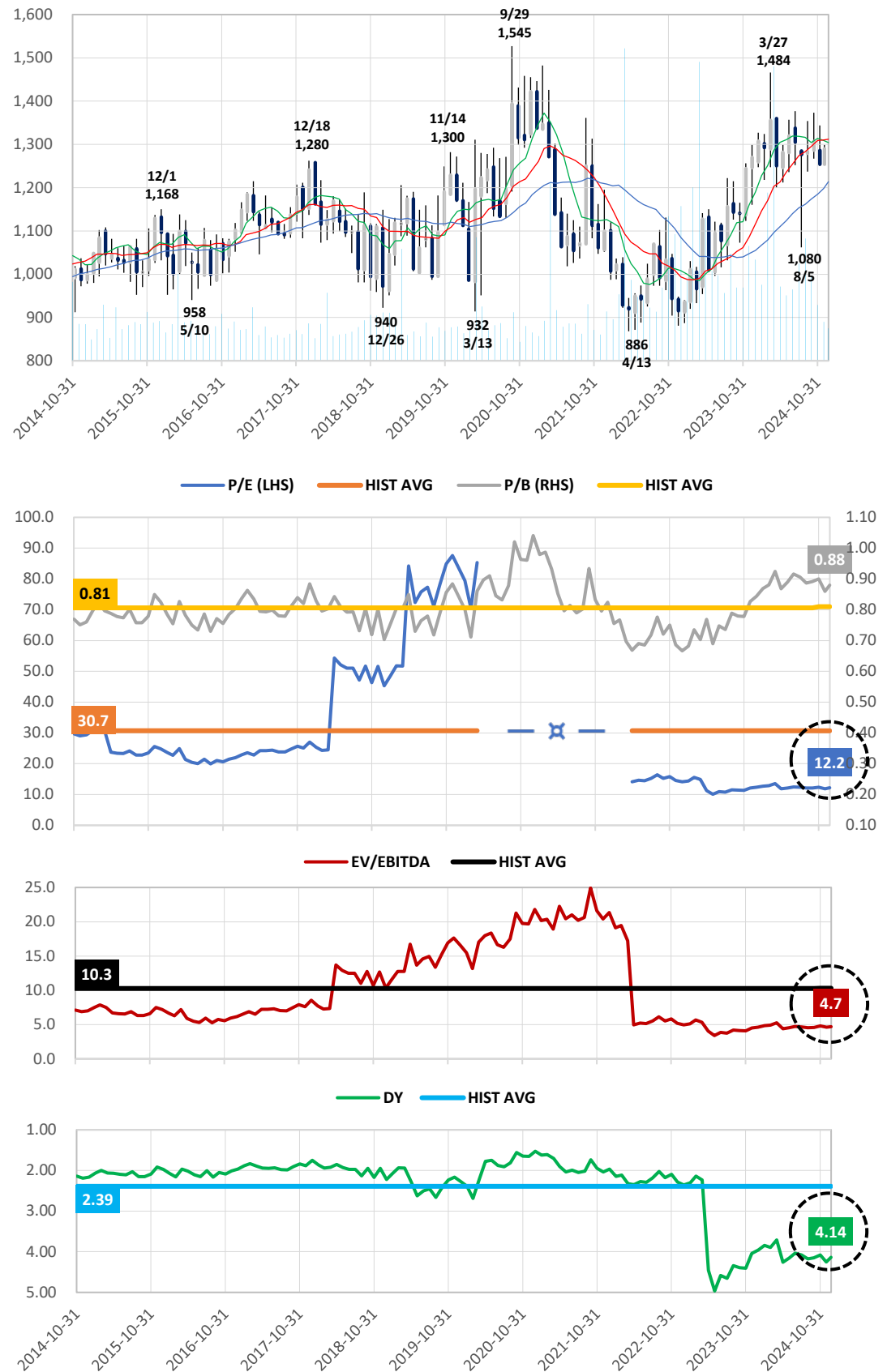
Performance and
Valuations:
SESSA Smart Charts

- ✓ The current P/E of 12.2x is trading 60% below its historical average, reflecting the sharp recovery in profitability. While the P/B is trading 10% above its historical average, this reflects management efforts to address a P/B below 1x.
- ✓ EV/EBITDA 54% below its historical average further reflects the marked improvement in profitability in the last two terms, and the DY of 4.14% trading 74% above its historical average, together with historically low P/E and EV/EBITDA, present an attractive investment case on compelling valuations in our view.



Analyst's view

10-Year Monthly Share Price, 6M/12M/24M MA, Volume and Valuations Trend



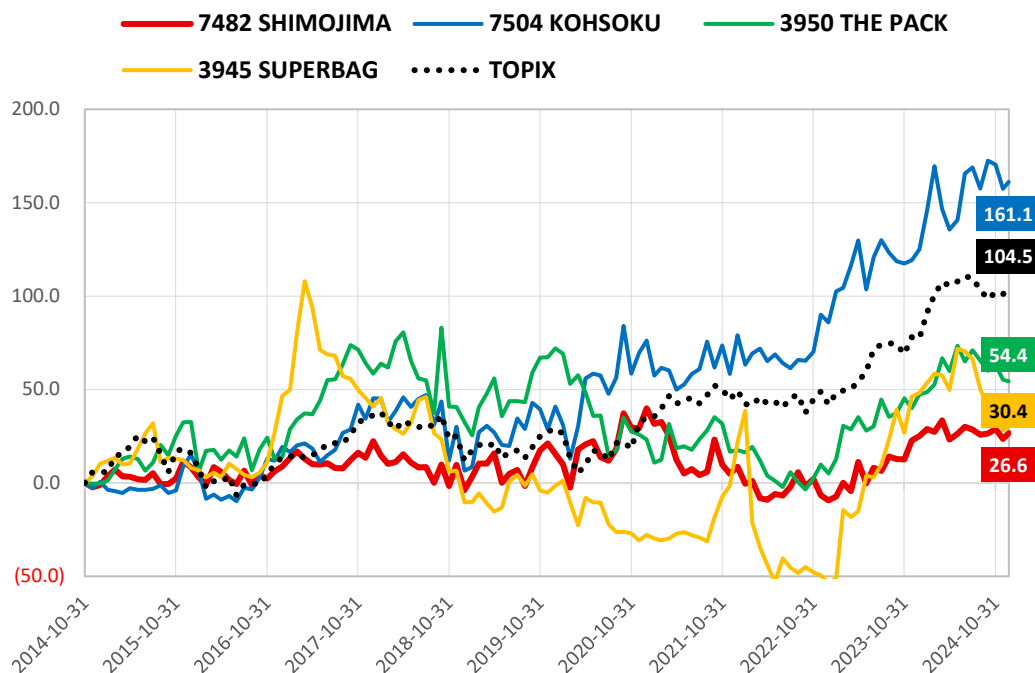
Source: compiled by SIR from SPEEDA historical earnings and price data. Valuations calculated based on LTM and CE.
 *Note: the P/E data for FY21/3 and FY22/3 have been omitted for visual clarity, removing the outliers from the net loss recorded in FY21/3 and negligible profit attributable to owners of parent recorded in FY22/3.



Analyst's view

- ✓ The table compares selected peers on eight key metrics:
 - Scale (net sales)
 - Growth (YoY)
 - Profitability (OPM)
 - Productivity (per person)
 - Efficiency (ROE, ROIC)
 - Leverage (equity ratio)
 - Valuations (P/E, P/B, EV/EBITDA)
 - Shareholder return (payout ratio)
- ✓ In SIR's view, there is a disconnect between SHIMOJIMA's sharp recovery in profitability upon entering a new growth phase (see graph shown on P1), significantly enhanced shareholder return policy (highest payout ratio among peers), and the lagging share price.
- ✓ Also, there is a clear path to higher ROE/ROIC from leveraging up the B/S going forward (from the current high 80% level), which is under ongoing review by management.

10-Year Monthly Relative Share Price Performance Versus Selected Peers



Source: compiled by SIR from SPEEDA share price database, closing prices as of October 25, 2024.

Key Financial Indicators and Valuations for Selected Peers

Units:	7504-P KOHSOKU	3950-P THE PACK	7482-P SHIMOJIMA	3945-S SUPERBAG
JPY million	FY24/3 (act)	FY23/12 (act)	FY24/3 (act)	FY24/3 (act)
persons, %, times	FY25/3 (CE)	FY24/12 (CE)	FY25/3 (CE)	FY25/3 (CE)
Head office	Sendai	Osaka	Tokyo	Tokyo
Consolidated headcount*	1,023	1,183	812	399
Parent headcount	670	840	618	340
Net sales (act)	106,216	97,714	57,794	26,837
YoY	7.5	9.7	5.0	6.3
Net sales (CE)	112,000	101,000	61,800	27,700
YoY	5.4	3.4	6.9	3.2
Sales per employee (act)*	103.8	82.6	71.2	67.3
OP (act)	4,227	7,743	3,262	1,034
YoY	5.5	29.7	62.2	129.5
OP (CE)	4,350	8,100	3,800	1,070
YoY	2.9	4.6	16.5	3.5
OPM % (act)	4.0%	7.9%	5.6%	3.9%
OPM % (CE)	3.9%	8.0%	6.1%	3.9%
Equity ratio (act)	60.0%	71.9%	79.9%	26.5%
ROE (act)	8.8%	8.3%	7.1%	24.4%
ROIC (act)	7.9%	8.0%	6.2%	10.9%
Div payout ratio (act)	32.3%	30.3%	50.1%	15.8%
Div payout ratio (est)	33.1%	35.1%	50.4%	15.7%
DOE (act)	2.8%	2.5%	3.5%	3.8%
Market cap	50,965	70,545	30,813	3,583
Share price (¥)	2,428	3,545	1,303	2,125
P/E ratio (CE)	14.9	10.4	12.2	3.6
EV/EBITDA (CE)	7.5	4.2	4.7	3.3
P/B ratio (LTM act)	1.23	0.92	0.88	0.74
DY (CE)	2.22%	3.33%	4.14%	4.24%

Source: compiled by SIR from TANSBIN financial results summaries and YUHO annual securities reports.

Note: price data from SPEEDA share price database, closing prices as of December 24, 2024.

Changes to the Dividend Policy, the Dividend of Surplus for FY24/3, and the Dividend Forecast for FY25/3

- On May 13, 2024, along with announcement of financial results for FY24/3, the Company announced that its Board of Directors resolved to change the dividend policy, the appropriation of dividends of surplus for FY24/3 (year-end dividend subject to approval at the Annual General Meeting of Shareholders), and initial forecast for dividend payments in FY25/3. Prior to the change in policy, the Company's basic policy on profit distribution was **to aim for a payout ratio of 30%** while securing the internal reserves necessary for future business development and strengthening the management base, along with placing importance on stable dividends. After the change, the Company's revised basic policy for profit distribution is to return profits to shareholders by taking into account each fiscal year's business performance and financial situation, while also giving due consideration to stable dividends, **with the aim of achieving a payout ratio of 50%.**

Proposed FY24/3 Year-end Dividend and FY25/3 Forecast

JPY million, yen per share	Revised amount	Previous forecast 2023.11.09	Previous results
Record date	March 31, 2024	same	March 31, 2023
DPS (¥)	40.00	29.00	11.00
Total annual cash dividends	1,190	—	513
Effective date	June 27, 2024	—	June 28, 2023
Source of dividends	Retained earnings	—	Retained earnings
yen per share	Interim dividend	Year-end dividend	Annual dividend
FY23/3 actual	11.00	11.00	22.00
FY24/3 1H actual, proposed	11.00	40.00	51.00
FY25/3 initial forecast	27.00	27.00	54.00

Source: compiled by SIR from press release dated 24.05.13. This proposal was adopted at the AGM held on 24.06.26.

Major Shareholders (as of March 31, 2024)

Name or designation	Shares owned (000)	Ownership ratio*
Kenyu, Ltd. (100% owned by Kenji Shimojima)	4,605	19.73
KNJ Ltd. (Shimojima Family)	2,587	11.08
Waki Ltd. (98.8% owned by Wako Shimojima)	1,408	6.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,220	5.22
Kohmei Shimojima	724	3.10
Wako Shimojima	689	2.95
SHIMOJIMA Employee Stock Ownership Association	639	2.73
Nippon Life Insurance Company	560	2.40
SHIMOJIMA Business Partner Association	517	2.21
K&M Ltd.	492	2.11
Top 10	13,445	57.61
Treasury shares	323	1.36
Total number of shares with voting rights*	23,301	98.53
Odd-lot shares	22	0.09
Total number of shares issued and outstanding	23,647	100.00

Source: compiled by SIR from Notice of the 63rd Annual General Meeting of Shareholders.

*Note: ownership ratio is percentage of shares owned out of shares with voting rights (excl. treasury shares).

Number of shares owned are cut off below 1,000 shares, and ownership ratios are cut off below 2 decimals.

APPENDIX: Consolidated financial statements: 10-years

Consolidated statements of income and consolidated statements of comprehensive income

JPYmn, % [J-GAAP]	FY15/3 act	FY16/3 act	FY17/3 act	FY18/3 act	FY19/3 act	FY20/3 act	FY21/3 act	FY22/3 act	FY23/3 act	FY24/3 act	FY25/3 CE
Net Sales	47,431	48,278	46,996	46,965	47,696	48,254	47,100	48,063	55,028	57,794	61,800
Cost of Sales	32,845	33,222	31,737	31,705	32,889	32,941	32,039	33,092	37,485	38,621	
Gross Profit	14,586	15,056	15,259	15,260	14,807	15,313	15,061	14,971	17,543	19,173	
Gross Margin	30.8	31.2	32.5	32.5	31.0	31.7	32.0	31.1	31.9	33.2	
Selling, General and Administrative Expenses	13,233	13,468	13,402	13,725	14,137	14,807	14,786	14,927	15,531	15,910	
Operating Profit	1,353	1,587	1,856	1,534	670	505	275	44	2,011	3,262	3,800
Operating Profit Margin	2.9	3.3	3.9	3.3	1.4	1.0	0.6	0.1	3.7	5.6	6.1
Non-Operating Income	370	284	249	305	259	276	343	415	496	400	
Interest and Dividends Income	18	16	5	5	8	10	10	7	77	7	
Non-Operating Expenses	70	181	46	54	56	49	66	79	118	39	
Ordinary Profit	1,653	1,690	2,059	1,785	872	732	552	380	2,388	3,623	4,000
Ordinary Profit Margin	3.5	3.5	4.4	3.8	1.8	1.5	1.2	0.8	4.3	6.3	6.5
Extraordinary Gains/Losses	(180)	67	(181)	(62)	(8)	(48)	(921)	(121)	58	(92)	
Extraordinary Gain	62	67	57	16	47	22	193	7	171	1	
Extraordinary Loss	242		238	78	55	70	1,114	128	113	93	
Pretax Profit	1,473	1,757	1,878	1,723	864	683	(369)	259	2,446	3,531	
Pretax Profit Margin	3.1	3.6	4.0	3.7	1.8	1.4	-0.8	0.5	4.4	6.1	
Income Taxes	666	679	658	615	333	339	26	167	898	1,154	
Income Taxes - Current	657	630	738	633	353	354	255	153	847	1,165	
Income Taxes - Deferred	9	49	(80)	(18)	(20)	(15)	(229)	14	51	(11)	
Profit attributable to owners of parent	813	1,051	1,197	1,094	513	331	(331)	86	1,542	2,372	2,500
Profit	806	1,077	1,220	1,108	531	344	(395)	91	1,548	2,376	
Profit attributable to non-controlling interests	(7)	26	22	14	18	13	(64)	5	5	3	
Profit Margin attributable to owners of parent	1.7	2.2	2.5	2.3	1.1	0.7	-0.7	0.2	2.8	4.1	4.0
Profit	806	1,077	1,220	1,108	531	344	(395)	91	1,548	2,376	
Other Comprehensive Income	99	(240)	316	151	(140)	(48)	320	(170)	(10)	179	
Net Gain on Revaluation of available-for-sale Financial Assets	37	8	72	194	(146)	(55)	238	(127)	10	57	
Deferred Gains or Losses on Hedges (CI)	40	(245)	213	(49)	24	22	27	(19)	(29)	33	
Unfunded Retirement Benefit Obligation with Respect to Foreign Consolidated Companies	(8)	(19)	31	6	(18)	(14)	54	(23)	8	87	
Comprehensive Income	905	836	1,537	1,260	391	296	(75)	(79)	1,538	2,555	
Comprehensive Income Attributable to Owners of Parent	913	810	1,514	1,246	373	283	(11)	(84)	1,532	2,551	

Source: compiled from SPEEDA historical earnings database

Consolidated balance sheets

JPYmn, % [J-GAAP]	FY15/3 act	FY16/3 act	FY17/3 act	FY18/3 act	FY19/3 act	FY20/3 act	FY21/3 act	FY22/3 act	FY23/3 act	FY24/3 act
Total Assets	38,042	38,461	39,370	39,971	39,595	39,365	38,293	37,756	40,023	43,407
Current Assets	20,743	20,766	22,105	22,662	21,898	19,953	20,105	19,154	21,460	24,312
Cash & Cash Equivalents	8,327	8,864	10,423	10,765	9,619	7,332	7,629	6,035	7,140	9,681
Accounts Receivables	5,522	5,645	5,747	5,439	5,435	5,936	5,872	6,292	6,988	7,134
Notes Receivable								488	465	337
Other Short-Term Financial Assets				521	604	596	757	807	1,001	1,279
Inventories	6,181	5,555	5,394	5,364	5,604	5,713	5,397	5,513	5,870	5,762
Finished Goods and Merchandise	5,653	5,006	4,868	4,805	4,994	5,123	4,908	5,019	5,274	5,197
Other Inventories	528	549	526	559	610	590	489	494	596	565
Deferred Tax Assets - Current	208	273	179	191						
Allowance for Doubtful Accounts - Assets	(6)	(10)	(7)	(9)	(6)	(13)	(14)	(12)	(15)	(15)
Non-Current Assets	17,298	17,695	17,265	17,308	17,696	19,411	18,188	18,601	18,562	19,095
Property, Plant & Equipment (PPE)	13,919	14,336	13,799	13,406	13,578	14,309	12,603	12,578	13,539	14,142
Lands	7,246	7,361	7,361	7,361	7,549	7,881	7,762	7,762	7,761	7,760
Construction In Progress									1,217	47
Intangible Assets	793	631	530	673	792	1,582	1,370	1,831	1,619	1,324
Goodwill						446	254	653	413	289
Investments and Other Assets	2,585	2,726	2,934	3,229	3,325	3,519	4,214	4,191	3,403	3,627
Investment Securities	295	304	404	687	457	379	741	558	557	647
Long-Term Loans	70	167	180	245	264	262	344	337	294	302
Deferred Tax Assets - Non-Current	250	253	287	224	497	580	657	730	677	600
Allowance for Doubtful Accounts - Fixed	(47)	(137)	(147)	(144)	(142)	(130)	(95)	(87)	(93)	(60)
Total Liabilities	6,624	6,721	6,609	6,465	6,452	6,437	6,067	6,134	7,343	8,651
Current Liabilities	4,448	4,556	4,536	4,359	4,363	5,053	4,795	4,876	6,075	7,485
Trade Payables	2,187	2,169	2,278	2,148	2,167	2,765	2,699	2,915	3,010	4,355
Short-Term Borrowings	122	143	145	165	131	185	131	132	122	131
Current Portion of Long-Term Borrowings	122	143	145	132	103	138	131	132	122	131
Non-Current Liabilities	2,175	2,165	2,073	2,105	2,089	1,383	1,272	1,257	1,268	1,165
Long-Term Borrowings	616	588	504	481	400	496	483	467	303	293
Deferred Tax Liabilities for Revaluation	293	277	277	277	277	277	277	277	277	277
Provision for Retirement Benefits	899	988	995	1,045	1,118	302	232	315	352	288
Asset Retirement Obligations - Non-Current	33	33	33	37	37	39	39	38	132	116
Total Net Assets	31,417	31,739	32,761	33,505	33,142	32,928	32,225	31,622	32,679	34,756
Total Shareholders' Equity	37,431	37,968	38,649	39,227	38,987	38,807	37,850	37,413	38,474	40,368
Capital Stock	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405
Capital Surplus	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,304	1,299	1,273
Retained Earnings	35,600	36,137	36,818	37,397	37,394	37,215	36,255	35,802	36,834	38,039
Treasury Stock	(879)	(879)	(879)	(879)	(1,117)	(1,117)	(1,114)	(1,098)	(1,063)	(349)
Accumulated Other Comprehensive Income	(6,035)	(6,276)	(5,959)	(5,807)	(5,947)	(5,995)	(5,677)	(5,847)	(5,858)	(5,679)
Valuation Difference On Available-for-sale Securities	125	134	206	401	254	199	437	310	320	378
Net Unrealized Gains/Loss on Derivatives for Hedges	62	(182)	31	(17)	7	29	55	35	6	40
Land Revaluation Excess	(6,210)	(6,195)	(6,195)	(6,195)	(6,195)	(6,195)	(6,195)	(6,195)	(6,195)	(6,195)
Non-controlling interest	22	48	70	85	103	116	52	57	63	66

Source: compiled from SPEEDA historical earnings database

Consolidated statements of cash flows

JPYmn, %	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3
[J-GAAP]	act	act	act	act	act	act	act	act	act	act
Cash Flows from Operating Activities	1,592	2,576	2,677	1,437	656	822	1,103	430	2,328	4,698
Depreciation and Amortization - CF	977	931	837	751	708	770	942	923	1,037	1,078
Depreciation - CF	941	931	837	751	708	759	851	845	913	954
Amortization of Goodwill - CF	36					11	91	78	124	124
Gain/Loss on Valuation of Securities and Investment Securities		1								92
Gain/Loss on Sale of Investment Securities	(15)		0		(1)		(21)	0	4	
Gain/Loss on Sale of Stocks of Subsidiaries and Affiliates							(155)			
Gain/Loss on Sale of PPE	(21)	0	0	3	1	3	21	1	0	1
Interest and Dividends Received - Operating CF	18	16	6	6	9	10	10	7	18	8
Cash Flows from Investing Activities	(459)	(972)	(609)	(463)	(908)	(2,463)	(407)	(1,376)	(378)	(1,479)
Payments for Purchases of Investment Securities	(8)	(2)	(1)	(1)	(2)	(1)	(50)			(100)
Proceeds from Sales of Investment Securities	16		4		21		48	0	11	
Purchases/Sales of PPE	(347)	(699)	(235)	(275)	(513)	(670)	(312)	(569)	(1,478)	(1,132)
Payments for Purchases of PPE	(398)	(941)	(235)	(305)	(513)	(670)	(329)	(469)	(1,434)	(1,132)
Proceeds from Sales of PPE	51	242		30			17	(100)	(44)	
Payments for Purchases of Intangible Assets	(75)	(149)	(150)	(117)	(337)	(536)	(302)	(557)	(205)	(222)
Cash Flows from Financial Activities	(654)	(916)	(661)	(654)	(893)	(647)	(404)	(647)	(686)	(678)
Proceeds from Short-Term Borrowings		15		206	438	477	384		25	30
Repayments of Short-Term Borrowings		(15)		(173)	(443)	(497)	(431)		(25)	(30)
Proceeds from Long-Term Borrowings				12			420			40
Repayments of Long-Term Borrowings				(2)	(2)	(2)	(7)	(2)	(46)	(77)
Redemption/Retirement of Stock	(1)	0	0	0	(238)	0	0	0	0	0
Cash Dividends Paid	(509)	(523)	(515)	(515)	(516)	(511)	(627)	(511)	(511)	(512)
Foreign exchange adjustment	36	(37)	2	0	0	0	0	0	0	0
Net increase (decrease) in cash & cash equiv.	514	649	1,409	319	(1,145)	(2,287)	291	(1,593)	1,263	2,539
Cash & Cash Equivalent - Beginning	7,690	8,204	8,854	10,263	10,583	9,437	7,150	7,441	5,848	7,111
Cash & Cash Equivalent - Ending	8,204	8,854	10,263	10,583	9,437	7,150	7,441	5,848	7,111	9,651
Free Cash Flow (FCF)	1,133	1,604	2,068	974	(252)	(1,641)	696	(946)	1,950	3,219

Source: compiled from SPEEDA historical earnings database

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Sessa Partners Inc.

#5a i-o Azabu, 2-8-14
Azabujyuban, Minato-ku, Tokyo
info@sessapartners.co.jp