



Q2 net sales hit a record high, with improvements in gross profit margin and tighter SG&A control driving double-digit profit growth

Earnings Results Summary

SHIMOJIMA Co.,Ltd. (hereafter, the Company) reported H1 FY26/3 results on November 10. Net sales rose 4.9% YoY to JPY 30,707 mn, marking a record high for Q2, supported by the Osaka Kansai EXPO effect and increased inbound demand. Gross profit margin improved, driven by strong sales of environmentally friendly products and the stabilization of raw material prices. In addition, operating profit rose 27.5% YoY to JPY 1,357 mn, reflecting a decline in SG&A expenses to net sales resulting from efficient management and SG&A cost control. Ordinary profit rose 32.3% YoY to JPY 1,560 mn, while profit attributable to owners of the parent (hereafter, net profit) increased 28.0% YoY to JPY 1,051 mn.

FY2026/3 Full-Year Earnings Forecast

The Company maintained its full-year forecast for FY2026/3 announced on May 12, with net sales of JPY 63,500 mn (+4.6% YoY), operating profit of JPY 3,575 mn (+19.7% YoY), ordinary profit of JPY 3,800 mn (+15.0% YoY), and net profit of JPY 2,500 mn (+19.7% YoY). The Company cited the following reasons for maintaining its full-term forecast: (1) the need to assess Q3 performance, as the packaging industry typically enters its peak season toward year-end, and (2) consideration of unstable global conditions and foreign exchange markets.

Share Price Insights

For FY2026/3, the full-term operating profit forecast is JPY 3,575 mn, but this level falls short of the JPY 3,800 mn forecast made just prior to the FY2025/3 full-year results announcement. In light of this, SIR views FY2026/3 as being in a recovery stage rather than a growth stage.

SIR believes that amid concerns over a waning event-related boost from the Osaka Kansai EXPO, a slowdown in inbound demand, and the impact of the recent weak yen, demonstrating profit growth will be a key focus. In particular, close attention will be paid to whether high-value-added environmentally friendly products and the EC site SHIMOJIMA Online Shop will emerge as key growth drivers for the Company. In addition, focus is turning to what kind of growth strategy will be presented in the next medium-term management plan starting in FY2027/3.

SIR believes that as initiatives toward a growth stage become more clearly implemented, the Company's valuation will improve and be reflected in the share price.

FY	Net Sales	YoY	Oper. Profit	YoY	Ord. Profit	YoY	Net Profit	YoY	EPS	DPS
	(JPY mn)	(%)	(JPY mn)	(%)	(JPY mn)	(%)	(JPY mn)	(%)	(JPY)	(JPY)
2022/3	48,063	2.0	44	(84.0)	380	(31.2)	86	--	3.75	22.00
2023/3	55,028	14.5	2,011	4,470.5	2,388	528.4	1,542	1,693.0	66.23	22.00
2024/3	57,794	5.0	3,262	62.2	3,623	51.7	2,372	53.8	101.74	51.00
2025/3	60,680	5.0	2,986	(8.5)	3,303	(8.8)	2,088	(12.0)	89.42	54.00
2026/3 CE	63,500	4.6	3,575	19.7	3,800	15.0	2,500	19.7	107.02	54.00
2025/3 H1	29,265	4.0	1,065	(34.2)	1,178	(34.9)	821	(30.8)	35.20	27.00
2026/3 H1	30,707	4.9	1,357	27.5	1,560	32.3	1,051	28.0	45.00	27.00

Source: Compiled by SIR from IR results briefing materials.

Note1: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's TANSIN reporting standards.

Q2 Follow-up



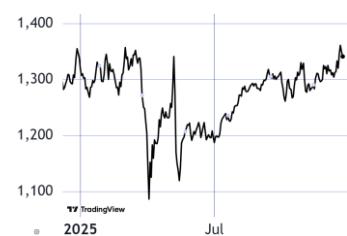
Focus Points:

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 (12/16)	1,350
YH (5/12)	1,375
YL (4/7)	1,065
10YH (20/9/29)	1,545
10YL (22/4/13)	886
Shrs out. (mn shrs)	23,648
Mkt cap (JPY bn)	31,925
EV (JPY bn)	23,708
Equity ratio (act)	83.4%
26/3 P/E (CE)	12.6x
25/3 P/B (act)	0.89x
25/3 ROE (act)	6.0%
26/3 DY (CE)	4.0%

Share Price Chart (1 year)



Source: Trading view

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Sessa Partners



H1 FY2026/3 Earnings Trend

Net sales by sales channel

- **Marketing and sales business (Sales to secondary wholesalers, major retailers and manufacturers, and FC stores *Package Plaza*, among others)**

Net sales totaled JPY 22,419 mn (+7.9% YoY). The Company focused on expanding sales of ready-made mainstay products and stepping up activities to win orders for custom-made items. Demand for environmentally friendly products also increased.

- **Store sales business (Sales through directly managed stores *SHIMOJIMA* and *east side tokyo*)**

Net sales totaled JPY 5,630 mn (+3.7% YoY). A special demand boost from the Osaka Kansai EXPO, including large-volume purchases by overseas pavilions, and inbound demand for office supplies such as stationery contributed to performance. In addition, developing new opportunities outside of stores and in-depth engagement with existing customers proved effective in acquiring ready-made products and custom-made items.

- **Online (EC) sales business (Sales through the *SHIMOJIMA Online Shop*)**

Net sales declined to JPY 2,658 mn (-13.1% YoY). This decrease was attributable to the deconsolidation of Global Brand Co., Ltd., which operates the cross-border EC business. Excluding this factor, net sales increased 10% YoY. The SHIMOJIMA Online Shop has steadily expanded its business scale through an increase in newly listed products and strengthened web advertising. As of the end of September 2025, the number of registered members stood at 938,000, and the number of listed products totaled 1,418,000 SKUs.

Net sales by product segment

- **Paper products segment (Mainstay products: original-brand paper bags, wrapping paper, and paper containers)**

Net sales totaled JPY 4,840 mn (+4.2% YoY). Strong sales of custom-made items were sustained, and sales of new products also remained solid.

- **Plastic products and pkg. materials segment (Mainstay products: chemical products such as plastic bags and PP bags, adhesive tapes, food packaging materials, and string/ribbon)**

Net sales totaled JPY 19,086 mn (+6.8% YoY). Food packaging materials such as cups, wet towels, containers, and cutlery performed well. Sales channels for environmentally friendly products expanded, and orders for custom-made items also increased.

- **In-store equipment and supplies segment (Mainstay products: point of purchase (POP) supplies, office supplies, store supplies, daily necessities, food products, apparel-related materials such as hangers, and gardening-related materials)**

Net sales totaled JPY 6,780 mn (+0.3% YoY). While demand for office-related products declined due to rising costs and the deconsolidation of Global Brand Co., Ltd. had an impact, event-related demand such as the Osaka Kansai EXPO and inbound demand offset these factors.



Earnings Trends by Sales Channel and Product Segment

JPY mn, %	FY2023/3			FY2024/3			FY2025/3			H1 FY2025/3			H1 2026/3		
	JPY mn	YoY	Composition Ratio	JPY mn	YoY	Composition Ratio	JPY mn	YoY	Composition Ratio	JPY mn	YoY	Composition Ratio	JPY mn	YoY	Composition Ratio
Net Sales	55,028	14.5	100.0%	57,794	5.0	100.0%	60,680	5.0	100.0%	29,265	4.0	100.0%	30,707	4.9	100.0%
(by Sales Channel)															
Marketing and Sales	38,708	12.8	70.3%	40,580	4.8	70.2%	42,703	5.2	70.4%	20,777	4.7	71.0%	22,419	7.9	73.0%
Store Sales	11,315	4.4	20.6%	11,362	0.4	19.7%	11,435	0.6	18.8%	5,432	(0.8)	18.6%	5,630	3.7	18.3%
Online (EC) Sales	5,005	72.2	9.1%	5,852	16.9	10.1%	6,542	11.8	10.8%	3,056	8.8	10.4%	2,658	(13.1)	8.7%
(by Product Segment)															
Paper Products	9,998	10.7	18.2%	10,153	1.6	17.6%	9,997	(1.5)	16.5%	4,644	(2.4)	15.9%	4,840	4.2	15.8%
Plastic Products and Pkg. Materials	31,836	18.1	57.9%	34,166	7.3	59.1%	36,494	6.8	60.1%	17,863	6.0	61.0%	19,086	6.8	62.2%
In-Store Equipment and Supplies	13,193	9.2	24.0%	13,475	2.1	23.3%	14,188	5.3	23.4%	6,757	3.7	23.1%	6,780	0.3	22.1%
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's TANSHIN reporting standards.

Source: Compiled by SIR from the Company's Annual Securities Report, Semiannual Report, and Earnings Presentation Materials.

Profit growth driven by improved gross profit margin

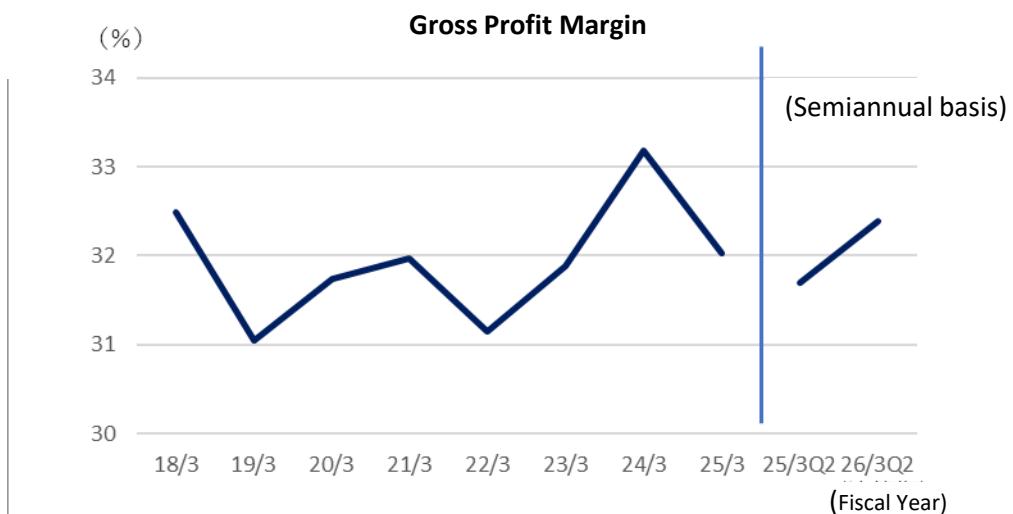
Gross profit margin improved, driven by strong sales of environmentally friendly products and the stabilization of raw material prices. In addition, operating profit rose 27.5% YoY to JPY 1,357 mn, reflecting a decline in SG&A expenses to net sales resulting from efficient management and SG&A cost control. Ordinary profit rose 32.3% YoY to JPY 1,560 mn, and net profit increased 28.0% YoY to JPY 1,051 mn.

Operating Profit by Product Segment

JPY mn, %	2023/3			2024/3			2025/3			Q2 2025/3			Q2 2026/3		
	JPY mn	YoY	Compositi on Ratio	JPY mn	YoY	Compositi on Ratio	JPY mn	YoY	Compositi on Ratio	JPY mn	YoY	Compositi on Ratio	JPY mn	YoY	Compositi on Ratio
Operating Profit (Segment Profit)	2,011	4,413.5	3.7%	3,262	62.2	5.6%	2,986	(8.5)	4.9%	1,065	(34.2)	3.6%	1,357	27.4	4.4%
Paper Products	1,141	87.0	11.4%	1,268	11.1	12.5%	1,116	(12.0)	11.2%	455	(59.2)	9.8%	462	1.5	9.5%
Plastic Products and Pkg. Materials	2,298	92.6	7.2%	3,201	39.3	9.4%	3,063	(4.3)	8.4%	1,365	(55.4)	7.6%	1,671	22.4	8.8%
In-Store Equipment and Supplies	434		3.3%	629	44.9	4.7%	530	(15.7)	3.7%	153	(71.1)	2.3%	186	21.6	2.7%
Others Adjustments	3			26			71			10			3		
	(1,867)			(1,863)			(1,795)			(919)			(966)		
Ordinary Profit	2,388	527.7	4.3%	3,623	51.7	6.3%	3,303	(8.8)	5.4%	1,178	(34.9)	4.0%	1,560	32.4	5.1%
Net Profit	1,542	1,666.1	2.8%	2,372	53.8	4.1%	2,088	(12.0)	3.4%	821	(30.8)	2.8%	1,051	28.0	3.4%

*The segment profit margin is calculated as profit divided by net sales for each segment. Note: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's TANSHIN reporting standards.

Source: Compiled by SIR from the Company's Annual Securities Report, Semiannual Report, and Earnings Presentation Materials.



Source: Compiled by SIR from the Company's YUHO financial statement and Semiannual Report.

FY2026/3 Full-Year Forecast Maintained

FY2026/3 full-year forecast maintained

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Environmentally Friendly Products

Paper food trays



PFAS-free oil-resistant bags



Winner of the FY2025 Good Design Award

Specializing in packaging supplies, the Company actively promotes SDGs initiatives and focuses on the development and wider adoption of environmentally friendly products. Against this backdrop, the Company's environmentally friendly products, paper food trays and PFAS-free oil-resistant bags, won the FY2025 Good Design Award (organized by the Japan Institute of Design Promotion), as announced on October 15, 2025.

● Paper food trays (unbleached paper food trays)

Environmentally friendly products that replace plastic containers used in food supermarkets with paper containers. Made using unbleached kraft paper, they emphasize a natural look that clearly conveys eco-friendliness while creating a premium appearance that enhances the presentation of food. The evaluation also considered the quality of the fit and the distinctive texture characteristic of unbleached materials.

● PFAS-free oil-resistant bags

The Company independently developed PFAS-free oil-resistant bags, demonstrating leadership in the industry. These products are friendly to both people and the environment and were recognized for their swift response to market needs.

By FY2030/3, the Company targets raising the ratio of environmentally friendly products to 20% of its original products

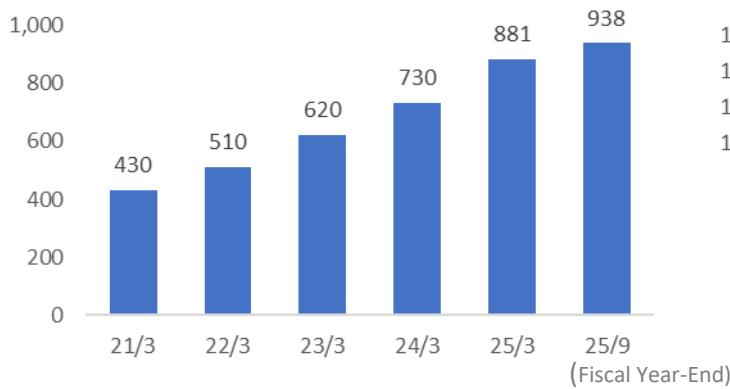
As part of its efforts to address sustainability issues, the Company promotes initiatives to set various targets and manage progress under its medium-term management plan and related action plans. As one such target, the Company has set a goal of raising the sales ratio of environmentally friendly products to 20% of its original products by 2030 (current progress stands at 16.5% in FY2024/3 and 18.2% in FY2025/3).

SHIMOJIMA Online Shop

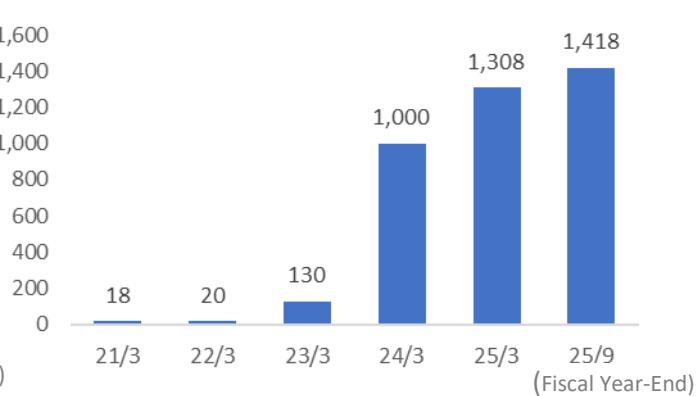
Business expansion of EC site SHIMOJIMA Online Shop

Regarding the EC site SHIMOJIMA Online Shop operated by the Company, the medium-term management plan sets out the “1 million × 1 million project,” which aims to increase the number of listed products to 1 million and registered members to 1 million. As a measure to expand the number of products, it is encouraging both existing and new suppliers to list their products on the platform. To increase the number of members, the main initiatives include SEO measures, strengthened web advertising, and promotional activities encouraging customers visiting stores nationwide to use the SHIMOJIMA app. As of the end of September 2025, the number of listed products reached 1,418,000 SKUs, and the number of registered members stood at 938,000.

Registered Members (Thousands)



Listed SKUs (Thousands)



Source: Compiled by SIR from the Company's Integrated Report and Earnings Presentation Materials.

Share Price Insights

Share Price Trends

An analysis of share price trends since the beginning of 2025 indicates that, in SIR's view, the Company's share price has shown a weaker upward trend compared with peers and the TOPIX (see chart below). This reflects the impact of a sharp decline in the share price through May 19, driven by (1) the FY2025/3 full-year earnings results announced on May 12 coming in below prior expectations of profit growth, and (2) concerns over an easing of supply-demand conditions for the Company's shares following a May 13 press release on off-floor distributions.

For FY2026/3, the full-term operating profit forecast is JPY 3,575 mn, but this level falls short of the JPY 3,800 mn forecast made just prior to the FY2025/3 full-year results announcement. In light of this, SIR views FY2026/3 as being in a recovery stage rather than a growth stage.

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SIR believes that as initiatives toward a growth stage become more clearly implemented, the Company's valuation will improve and be reflected in the share price.

Share Price Index of Shimojima and Peer Companies (CP as of Jan. 6, 2025 = 100)



Source: Compiled by SIR from SPEEDA data

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