SHIMOJIMA | 7482

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Sessa Investment Research

FY2026/3 net sales reach record high, new medium-term management plan starts with FY2030/3 targets of JPY 80.0 bn in net sales and JPY 5.2 bn in operating profit

Summary

SHIMOJIMA Co., Ltd. (hereafter, the Company) posted consolidated net sales of JPY 64,829 mn for FY2026/3 (+6.8% YoY), reaching a record high. It also reported consolidated operating profit of JPY 3,456 mn (+15.7% YoY), ordinary profit of JPY 3,869 mn (+17.1% YoY), and net profit attributable to owners of parent (hereafter, net profit) of JPY 2,738 mn (+31.1% YoY). Despite yen depreciation, persistently high raw material prices, and increases in logistics and personnel costs, sales growth enabled the Company to secure gross profit, driving profit growth. As FY2026/3 results exceeded the initial plan, the Company revised its year-end dividend upward from JPY 27 to JPY 32 per share, raising the annual dividend from JPY 54 to JPY 59 per share.

■ **FY2027/3 full-year forecast calls for sales growth and operating profit growth as new medium-term management plan through FY2030/3 begins**

FY2027/3 full-year forecasts call for net sales of JPY 66,000 mn (+1.8% YoY), operating profit of JPY 3,700 mn (+7.0% YoY), ordinary profit of JPY 4,000 mn (+3.4% YoY), and net profit of JPY 2,600 mn (-5.1% YoY). The decline in net profit reflects a rebound from the temporary reduction in the Company's income tax burden in FY2026/3.

Alongside its FY2026/3 results announcement, the Company announced its Medium-Term Management Plan, Dream Action 2030, covering the four-year period from FY2027/3 to FY2030/3. The Company positions the plan as a milestone toward realizing its long-term vision of becoming a "packaging × services" total partner that brings energy to customers. For FY2030/3, the final year of the plan, the Company targets net sales of JPY 80,000 mn, operating profit of JPY 5,200 mn, and ROE of at least 8.0%.

■ **Share price insights**

The Company's share price has recently been weak, as the market assesses the potential earnings impact of supply concerns for petrochemical products stemming from the US-Iran issue. Although current overseas developments are likely to have an unavoidable short-term impact on earnings, SIR does not believe these developments will materially alter the demand trend for the Company's products from a macro perspective.

JPY mn, %, JPY	Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Net profit	YoY	EPS	DPS
FY2024/3	57,794	*5.0*	3,262	*62.2*	3,623	*51.7*	2,372	*53.8*	101.74	51.00
FY2025/3	60,680	*5.0*	2,986	*(8.5)*	3,303	*(8.8)*	2,088	*(12.0)*	89.42	54.00
FY2026/3	64,829	*6.8*	3,456	*15.7*	3,869	*17.1*	2,738	*31.1*	117.12	59.00
FY2027/3 (CE)	**66,000**	*1.8*	**3,700**	*7.0*	**4,000**	*3.4*	**2,600**	*(5.1)*	**111.16**	**59.00**

Source: Compiled by SIR from the Company's annual securities report and earnings summary.
Note: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's reporting standards.

Q4 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 (6/15)	1,313
52WH (26/2/27)	1,500
52WL (25/7/2)	1,184
10YH (20/9/29)	1,545
10YL (22/4/13)	886
Shrs out. (mn shrs)	23.648
Mkt cap (JPY bn)	31.050
EV (JPY bn)	21.965
26/3 Equity ratio	81.4%
26/3 ROE (act)	7.6%
26/3 P/B (act)	0.83x
27/3 P/E (CE)	11.8x
27/3 EV/EBITDA (CE)	4.7x
27/3 DY (CE)	4.5%

Share Price Chart (1 year)

Source: Trading view

Takao Oshita, Analyst
research@sessapartners.co.jp

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In the current environment, attention is turning to the Company's environmentally friendly products, an area of focus for the Company. SIR believes these products will attract further interest as non-petroleum-based alternatives, while the provision of high value-added products should also enhance earnings power.

SIR expects the recent Middle East situation to raise awareness of environmentally friendly products and support further development of the Company's original products, creating scope for the Company to evolve from a specialized trading company in packaging materials into a vertically integrated business model. As this business model evolution takes more concrete shape, SIR believes the market will increasingly value the Company's medium- to long-term growth potential, and this will be reflected in the share price over time.

FY2026/3 Earnings Trend

FY2026/3 record-high net sales and operating profit growth

The Company's FY2026/3 full-year consolidated net sales rose 6.8% YoY to JPY 64,829 mn, reaching a record high. It reported consolidated operating profit of JPY 3,456 mn (+15.7% YoY), ordinary profit of JPY 3,869 mn (+17.1% YoY), and net profit of JPY 2,738 mn (+31.1% YoY). Despite yen depreciation, persistently high raw material prices, and increases in logistics and personnel costs, sales growth enabled the Company to secure gross profit, driving profit growth.

■ **Net sales by sales channel**

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

The Company focused on expanding sales of ready-made mainstay products and stepping up activities to win orders for custom-made items. In addition, net sales rose 10.3% YoY to JPY 47,100 mn, supported by expanded demand for environmentally friendly products that reflect awareness of carbon neutrality and a circular economy.

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

Event-related and inbound demand contributed to sales growth. Net sales rose 1.4% YoY to JPY 11,592 mn, owing to effective new customer development and in-depth engagement through business conducted outside stores.

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

On the Company's EC site SHIMOJIMA Online Shop, sales remained strong as the number of products listed on SHIMOJIMA Mall increased to 1.72 million. The Company also achieved the previous medium-term management plan target of one million registered members. However, net sales declined 6.2% YoY to JPY 6,136 mn due to the deconsolidation of Global Brand Co., Ltd., which had been consolidated through FY2025/3. Excluding this impact, net sales increased 20% YoY.

■ **Net sales by product segment**

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

Driven by the shift away from plastic use and solid demand for food packaging bags, net sales in the paper products segment rose 6.4% YoY to JPY 10,634 mn. Segment profit (operating profit) increased 7.2% YoY to JPY 1,196 mn.

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

This segment is the Company's core business segment. Orders expanded as the Company promoted the development of new environmentally friendly products aligned with market needs in food packaging materials, such as cups and containers. Net sales rose 8.6% YoY to JPY 39,639 mn, and segment profit increased 29.4% YoY to JPY 3,965 mn.

- **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)**

The Company operates this segment under the concept of a comprehensive lineup of products and supplies for stores and offices. Net sales rose 2.6% YoY to JPY 14,555 mn owing to strong growth in sales centered on hygiene products such as paper towels and gloves. Segment profit increased 14.9% YoY to JPY 609 mn.

Earnings trends by sales channel and product

(JPY mn, %)	FY2023/3			FY2024/3			FY2025/3			FY2026/3		
	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%	64,829	6.8	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%	47,100	10.3	72.7%
Store Sales	11,315	4.4	20.6%	11,362	0.4	19.7%	11,435	0.6	18.8%	11,592	1.4	17.9%
Online (EC) Sales	5,005	72.2	9.1%	5,852	16.9	10.1%	6,542	11.8	10.8%	6,136	(6.2)	9.5%
(By Product Segment)												
Paper Products	9,998	10.7	18.2%	10,153	1.6	17.6%	9,997	(1.5)	16.5%	10,634	6.4	16.4%
Plastic Products and Pkg. Materials	31,836	18.1	57.9%	34,166	7.3	59.1%	36,494	6.8	60.1%	39,639	8.6	61.1%
In-Store Equipment and Supplies	13,193	9.2	24.0%	13,475	2.1	23.3%	14,188	5.3	23.4%	14,555	2.6	22.5%
Others	-			-			-			-		
			Operating profit margin*			Operating profit margin*			Operating profit margin*			Operating profit margin*
Operating Profit (Segment Profit)	2,011	4,413.5	3.7%	3,262	62.2	5.6%	2,986	(8.5)	4.9%	3,456	15.7	5.3%
Paper Products	1,141	87.0	11.4%	1,268	11.1	12.5%	1,116	(12.0)	11.2%	1,196	7.2	11.2%
Plastic Products and Pkg. Materials	2,298	92.6	7.2%	3,201	39.3	9.4%	3,063	(4.3)	8.4%	3,965	29.4	10.0%
In-Store Equipment and Supplies	434		3.3%	629	44.9	4.7%	530	(15.7)	3.7%	609	14.9	4.2%
Others	3			26			71			65		
Adjustments	(1,867)			(1,863)			(1,795)			(2,379)		
Ordinary Profit	2,388	527.7	4.3%	3,623	51.7	6.3%	3,303	(8.8)	5.4%	3,869	17.1	6.0%
Net profit attributable to owners of parent	1,542	1,666.1	2.8%	2,372	53.8	4.1%	2,088	(12.0)	3.4%	2,738	31.1	4.2%

Note 1: The segment profit margin is calculated as profit divided by net sales for each segment.

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

Source: Compiled by SIR from the Company's annual securities report and earnings summary.

Full-Year Forecast for FY2027/3

FY2027/3 net sales expected to reach a record high for the fifth consecutive year

For FY2027/3, the Company forecasts net sales of JPY 66,000 mn (+1.8% YoY), marking a record high for the fifth consecutive fiscal year. On the profit front, it forecasts operating profit of JPY 3,700 mn (+7.0% YoY), ordinary profit of JPY 4,000 mn (+3.4% YoY), and net profit of JPY 2,600 mn (-5.1% YoY) (see table on page 1). The decline in net profit reflects a rebound from the temporary reduction in the Company's income tax burden in FY2026/3. The forecast does not factor in the impact of the deterioration in the Middle East situation following the February 28 military attack on Iran by the US and Israel.

Earnings impact from the deterioration in the Middle East situation, and the Company's response measures and basic policy

From around mid-March, following the deterioration in the Middle East situation, inquiries to the Company surged from various users, including existing business partners, mainly regarding polyethylene products. From April, the Company began limiting shipments for large orders. On the procurement side, the Company has continued negotiations with domestic and overseas suppliers and has worked to secure product supply. On April 21, the Company raised prices for polyethylene products, followed by additional price revisions as needed. Regarding the earnings impact, the Company stated that "a short-term impact on earnings is unavoidable." However, SIR views this as an irregular factor and believes that, from a macro perspective, this will not materially change the demand trend for the Company's products. As the situation improves, SIR believes demand will gradually return to its underlying trend.

The Company's scenarios for Middle East deterioration

(i)	Early agreement in talks to end hostilities, with no subsequent conflict	⇒	Normalization within several months to around six months
(ii)	Early agreement in talks to end hostilities, but with conflict risks remaining	⇒	No clear outlook for normalization, with rising likelihood of a second price hike
(iii)	No early agreement in talks to end hostilities	⇒	Rising risk of product supply shortages

Source: Compiled by SIR based on the Company's earnings presentation materials.

Medium-term Management Plan

New medium-term management plan through FY2030/3 begins

On May 13, 2026, the Company announced its Medium-Term Management Plan, Dream Action 2030, covering the four-year period from FY2027/3 to FY2030/3. The Company positions the plan as a milestone toward realizing its long-term vision of becoming a "packaging × services" total partner that energizes customers. For FY2030/3, the final year of the plan, the Company targets net sales of JPY 80,000 mn, operating profit of JPY 5,200 mn, and ROE of at least 8.0%.

For new product development initiatives, one of its growth drivers, the Company has set out the promotion of environmentally friendly product development, expansion of its low-priced product lineup, development of highly functional and high value-added products, and promotion of private brand development.

Medium-term management plan targets

(JPY mn)	FY2026/3	FY2030/3	
	Act	Target	CAGR
Net sales	64,829	80,000	5.4%
OP	3,456	5,200	10.8%
OPM	5.3%	6.5%	
ROE	7.6%	more than 8.0%	
ROIC	6.5%	6.5%～7.2%	
D/E Ratio	0.2%	50%	

Sales breakdown

	(JPY mn)	FY2026/3	FY2026/3	
		Act	Target	CAGR
Channel	Marketing and Sales	47,100	59,700	6.1%
	Store sales	11,592	13,000	2.9%
	Online (EC)	6,136	7,300	4.4%
Product segment	Paper Products	10,634	11,800	2.6%
	Plastic Products and Packaging Materials	39,639	52,200	7.1%
	In-store Equipment	14,555	16,000	2.4%

Source : Complied by SIR from the Company's "Second Medium-Term Management Plan, Dream Action 2030" and earnings presentation materials.

JPY 30,500 mn in growth investment

The Company has set growth investment for the plan period at JPY 30,500 mn. Of this amount, innovation investment, including DX, product development, and distribution centers, is JPY 25,000 mn, marketing investment, including omnichannel promotion, is JPY 2,500 mn, sustainability investment, including improvement of employee engagement, is JPY 2,000 mn, and other investment is JPY 1,000 mn. As a shareholder return measure, the Company plans total dividend payments of JPY 5,000 mn. Including these payments, total cash outflows during the plan period are JPY 35,500 mn. The Company expects operating cash flow of JPY 15,500 mn and financing of JPY 20,000 mn as the funding sources for these total cash outflows.

As part of its innovation investment, the Company will invest JPY 15,000 mn to build a new distribution center in Kasai City, Hyogo Prefecture, scheduled for completion in June 2028. After completion, the center is expected to operate as a mother distribution center covering western Japan. With the new center, the Company will have a mother distribution center and an EC-dedicated center in both eastern and western Japan, aiming to improve transport efficiency and significantly shorten customer delivery lead times.

Cash allocation （FY 2027/3～FY2030/3）

		(JPY mn)	Target Return Profile
Growth investment		30,500	Enhancement of corporate value
	Marketing investment	2,500	Net sales and profit growth, ROE improvement
	Innovation investment	25,000	Net sales and profit growth, resolution of labor shortages, logistics quality improvement, ROE improvement
	Sustainability investment	2,000	Improved employee engagement, climate change measures, enhanced corporate recognition
	Other investment	1,000	Net sales and profit growth, stronger system security
Dividends		5,000	Aim for a dividend payout ratio of 50% or dividend on equity (DOE) of 3% or higher, and consider share buybacks
Total		35,500	Of which, financing of JPY 20,000 mn

Source : Complied by SIR from the Company's "Second Medium-Term Management Plan, Dream Action 2030."

M&A strategy

The Company has long taken a proactive approach to M&A.

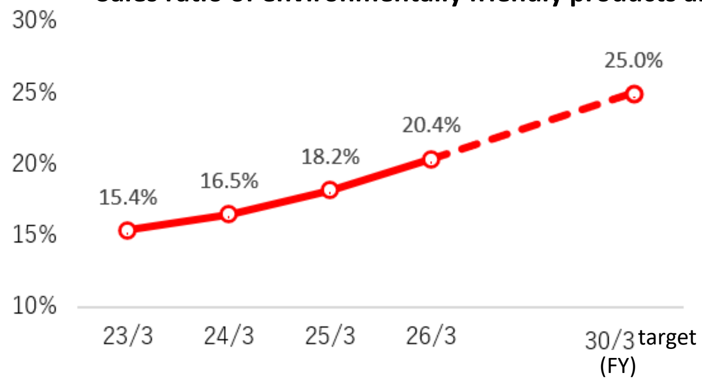
It states that it will "seek to expand sales through the active promotion of M&A, promote efficient business operations, and work to improve groupwide earnings." M&A-related expenses will be handled separately from the growth investment described on the previous page.

The Company cites the following five objectives for M&A, "expansion of sales to existing customers," "development of new target industries," "strengthening of product development capabilities," "evolution of the EC platform," and "strengthening of the logistics network." For "development of new target industries," the Company made two companies wholly-owned subsidiaries, Mitachi Package Co., Ltd., which has strengths in factory-related materials, in October 2019, and Ohkura Sangyo Co., Ltd., which sells hygiene products and other goods in Hokkaido mainly to the medical and nursing care industries, in January 2025.

Development and wider adoption of environmentally friendly products

As a specialized trading company in packaging materials, the Company actively promotes SDGs initiatives and focuses on the development and wider adoption of environmentally friendly products. It targets raising the sales ratio of environmentally friendly products among its original products from 20.4% in FY2026/3 to 25.0% in FY2030/3.

Sales ratio of environmentally friendly products among original products



Source: Compiled by SIR from "Progress and Future Initiatives for Realizing Management Conscious of Cost of Capital and Stock Price."

Examples of environmentally friendly products

Paper food trays	■ Environmentally friendly product proposing the replacement of plastic containers used in food supermarkets with paper containers (paper food trays) ■ Printed products are being rolled out in stages in addition to unbleached products ■ Winner of the FY2025 Good Design Award
PFAS-free oil-resistant bags	■ The Company independently developed PFAS-free oil-resistant bags, demonstrating leadership in the industry. ■ Winner of the FY2025 Good Design Award
Seashell-derived shopping bags	■ Shopping bags containing 25% biomass content derived from bio-based organic resources (oyster shells) ■ Contributes to a substantial reduction in CO_2 emissions compared with petrochemical-derived raw materials
Recycled materials	■ Manufactures shopping bags and trash bags using recycled materials ■ Achieves low cost, low energy use, and low CO_2 emissions

Source : Complied by SIR from the Company's "Second Medium-Term Management Plan, Dream Action 2030" etc.

Paper food trays

PFAS-free oil-resistant bags

■ SHIMOJIMA-style omnichannel

The SHIMOJIMA-style omnichannel is the Company's unique strategy of accumulating customer purchasing data across its three sales channels, the marketing and sales business, store sales business, and online (EC) sales business, and effectively integrating that data to provide products and services aligned with customer needs. In its medium-term management plan, the Company positions the SHIMOJIMA-style omnichannel as the core axis for strengthening sales capabilities. It will formulate medium-term strategies for each channel, link these strategies, and expand the business.

The strategies for each channel are shown in the table below. As a new initiative, the Company plans to launch a cross-border EC business. Rather than BtoC-focused consumer goods sales handled by its former subsidiary, Global Brand Co., Ltd., it plans to sell food packaging materials, an area of strength, mainly to small business operators in Southeast Asia.

Strategies by channel

Channel	Business Description	Strategy
Marketing and sales business	■ Direct sales to customers through 17 locations nationwide ■ Sales to Package Plaza FC stores	■ Strengthening sales to target industries − Eight target industries as of the end of March 2026, restaurants, confectionery and bakery, food processing and fisheries, agriculture and produce processing, floral materials and ceremonial services, hotels and tourism, medical and nursing care, and packaging and industrial materials ■ Strengthening initiatives with major users − Effective use of the showroom opened in October 2025 on the seventh floor of the Asakusabashi main store ■ Expansion of sales coverage − Opening of the Utsunomiya sales office in April 2026
Store sales business	■ Nationwide rollout through directly managed stores SHIMOJIMA, Package Plaza, and east side tokyo ■ Active pursuit of business conducted outside stores	■ Promotion of LTV improvement measures − Revitalization of business conducted outside stores through retention marketing and CRM utilization ■ Implementation of low-cost operations − Introduction of an area store manager system, improvement of store operational efficiency through enhanced head office functions, optimization of store staffing, and expansion of a lean organization through strengthened staff training ■ Build-out of Package Plaza FC stores and authorized dealers
Online (EC) sales	■ Handling of 1.72 million SKUs as of the end of March 2026 on the EC site SHIMOJIMA Online Shop	■ Growth in product lineup, registered members, and other metrics, end-March 2026 to end-March 2030 − SHIMOJIMA Mall participating companies, 549 to 1,000 − SHIMOJIMA Online Shop product listings, 1.72 million SKUs to 3.00 million SKUs − Omnichannel registered members, 1.01 million to 1.30 million ■ Entry into the cross-border EC business

Source : Complied by SIR from the Company's "Second Medium-Term Management Plan, Dream Action 2030."

Shareholder Returns

Targeting a dividend payout ratio of 50% or DOE of 3% or higher

As a shareholder return measure, the Company has set a target of a dividend payout ratio of 50% or higher or DOE of 3% or higher. Regarding share buybacks, the Company states that it will "assess market conditions and consider implementation."

FY2027/3 annual dividend per share planned at JPY 59

For FY2027/3, the Company plans an annual dividend of JPY 59 per share, consisting of an interim dividend of JPY 29 and a year-end dividend of JPY 30. Based on this amount, the dividend payout ratio for FY2027/3 is expected to be 53.1%.

Trends in annual dividend per share, dividend payout ratio, and DOE

	FY2023/3	FY2024/3	FY2025/3	FY2026/3	FY2027/3 (CE)
Annual Dividend per Share	JPY 22	JPY 51	JPY 54	JPY 59	JPY 59
Dividend Payout Ratio	33.2%	50.1%	60.4%	50.4%	53.1%
DOE (Dividend on Equity Ratio)	1.33%	2.95%	3.08%	3.25%	

Source : Complied by SIR from the annual securities report, integrated report and earnings summary

Share Price Insights

■ **Near-term focus on assessing the impact of the Middle East situation**

On February 28, 2026, the US and Israel launched a military attack on Iran, triggering a deterioration in the Middle East situation and bringing crude oil and naphtha procurement issues to the fore. In particular, ethylene plants, which are the core of domestic petrochemical complexes, were forced to cut production in April due to difficulty procuring raw materials, heightening supply concerns for petroleum-derived chemical products. As a result, the share prices of the Company and industry peers, including Superbag Co., Ltd. (TSE 3945), THE PACK CORPORATION (TSE 3950), and KOHSOKU CORPORATION (TSE 7504), have moved weakly, in contrast to TOPIX.

The Company's Plastic products and packaging materials segment* is a core business that accounts for roughly 60% of net sales. Given this exposure, SIR believes investors are likely focused on assessing the impact on earnings.

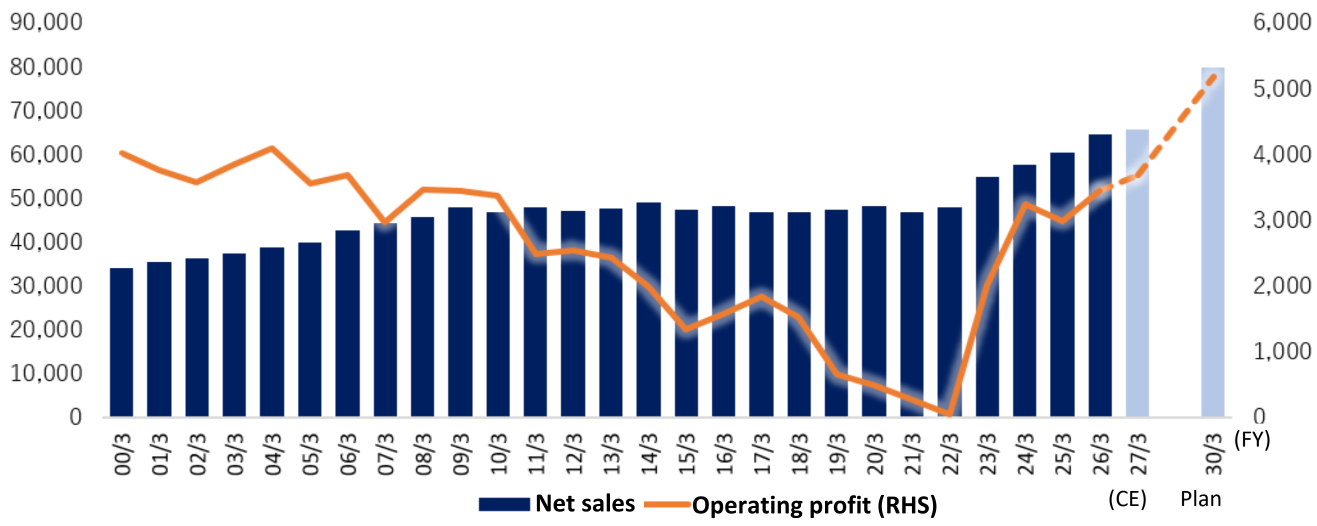
*Products in this segment include not only chemical products such as polyethylene bags and PP bags, but also non-chemical products such as food packaging materials.

■ **Expected rise in demand for high value-added, environmentally friendly products**

From a macro perspective, SIR does not believe the demand trend for the Company's products will materially change. Against this backdrop, the so-called "naphtha shock" is drawing attention to paper packaging materials as alternatives to petrochemical-derived plastic food trays and OPP bags. In particular, expectations are rising for environmentally friendly products, an area of focus for the Company. As noted on page 6, SIR believes the Company's environmentally friendly products point to one possible direction for addressing these issues. From users' perspective, these products both contribute to addressing environmental issues and serve as alternatives to petrochemical-derived products. From the Company's perspective, providing high value-added products can also improve earnings power.

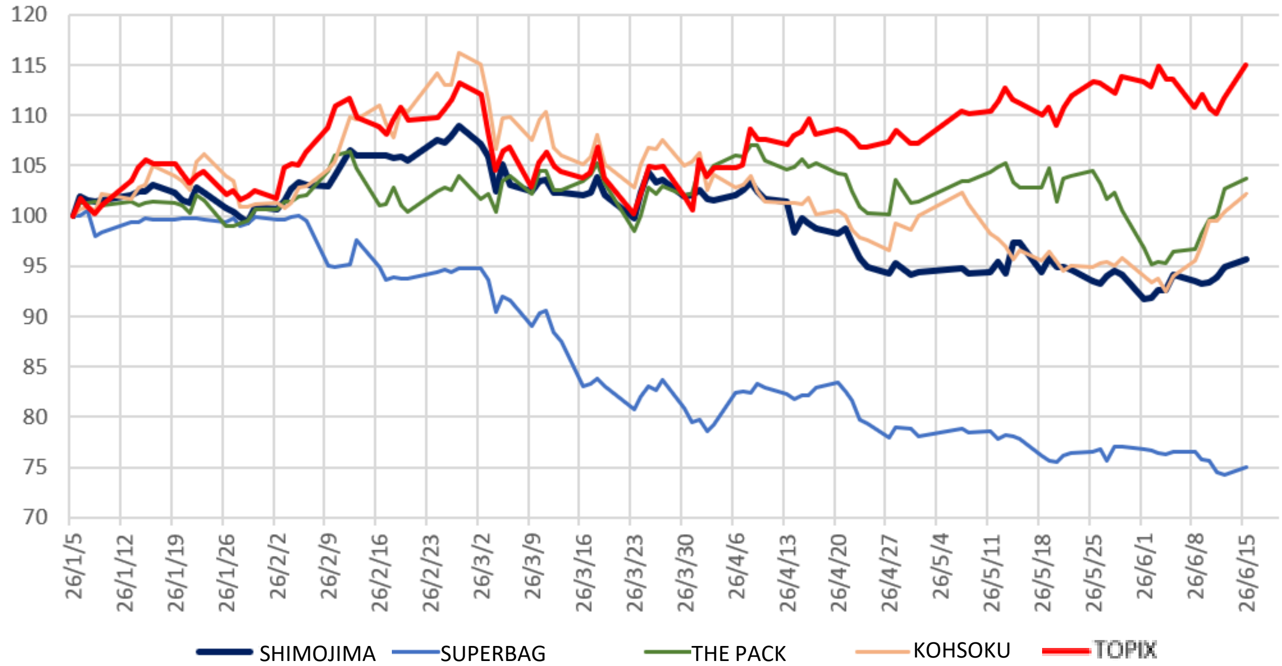
In the wake of the recent Middle East situation, SIR expects greater awareness of environmentally friendly products and progress in the development of the Company's original products to raise expectations for the Company's evolution from a specialized trading company in packaging materials into a vertically integrated business model. Assuming the Middle East situation comes under control, SIR believes the share price will gradually reflect market recognition of the Company's medium- to long-term growth potential as this business model evolution takes clearer shape.

Long-Term performance trends



Source : Complied by SIR from the Company's annual securities report, earnings summary and "Second Medium-Term Management Plan, Dream Action 2030."

Share Price Index Trends of SHIMOJIMA and Peer Companies (Jan. 5, 2026= 100)



Source: Compiled by SIR from SPEEDA data.

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Sessa Partners Inc.

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