SHIMOJIMA | 7482

Sponsored Research
September 1, 2026

Sessa Investment Research

Significant Profit Increase in Q1 Due to Temporary Demand Expansion from Users amid Middle East Instability

Summary

In Q1 FY2027/3, SHIMOJIMA Co., Ltd. (hereafter, the Company) reported consolidated net sales of JPY 18,446 mn (+21.6% YoY). Consolidated operating profit rose 149.2% YoY to JPY 1,640 mn, ordinary profit increased 121.9% YoY to JPY 1,718 mn, and quarterly profit attributable to owners of parent (hereafter, net profit) grew 119.8% YoY to JPY 1,146 mn. Instability in the Middle East drove demand for plastic products higher, and the Company responded by maintaining product supply to the greatest extent possible, providing a significant boost to sales. On the profit front, the gross profit margin rose due to strong sales of the Company's original products, including environmentally friendly products, and profits surged significantly as the Company passed on higher costs under a policy of prioritizing product supply amid a weaker yen and soaring raw material prices.

■Instability in the Middle East temporarily drove demand higher

Amid instability in the Middle East, the market saw unprecedented developments, including concerns over shortages of naphtha-derived products and price increases to pass on higher raw material costs. From around mid-March, the Company was inundated with inquiries from a wide range of customers, including existing business partners, mainly for polyethylene products. In response to the surge in demand, it began restricting shipments for large orders from April. 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.

The Company is maintaining its FY2027/3 earnings forecast at this time, noting that these developments are temporary and are not expected to materially alter the macro demand trend.

■Share price insights

Looking at the Company's Q1 FY2027/3 results, the temporary expansion in market demand provided a boost to earnings. While some pullback from this temporary demand surge is expected, the Japanese government has decided to reduce the consumption tax rate on food to 1% for two years starting next April. This measure is expected to stimulate demand for the food packaging materials handled by the Company. Against this backdrop, paper-based packaging materials are attracting attention as alternatives to petrochemical-derived plastic food trays and OPP bags. From the user perspective, this also offers benefits in terms of reducing procurement risk for packaging materials stemming from external factors and fulfilling the social responsibility of addressing environmental concerns. Amid these market trends, particular attention is turning to environmentally friendly products, an area of focus for the Company. SIR believes that as the Company makes further concrete progress in executing this strategy, the market's assessment of the Company will improve further and ultimately be reflected in its share price.

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**
FY2026/3 Q1	15,167	*4.9*	658	*18.3*	774	*35.4*	521	*42.2*	22.32	--
FY2027/3 Q1	18,446	*21.6*	1,640	*149.2*	1,718	*121.9*	1,146	*119.8*	49.02	--

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.

Q1 Follow-up

シモジマ

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 (9/1)	1,573
52WH (26/9/1)	1,579
52WL (26/6/2)	1,247
10YH (26/9/1)	1,579
10YL (22/4/13)	886
Shrs out. (mn shrs)	23.648
Mkt cap (JPY bn)	37.198
EV (JPY bn)	30.170
26/6 Equity ratio	82.2%
26/3 ROE (act)	7.6%
26/3 P/B (act)	0.99x
27/3 P/E (CE)	14.2x
27/3 EV/EBITDA (CE)	6.5x
27/3 DY (CE)	3.8%

Share Price Chart (1 year)

Source: TradingView

Takao Oshita, Analyst
research@sessapartners.co.jp

Q1 FY2027/3 Earnings Trend

Sales by sales channel (figures not disclosed)

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

The Company focused on expanding sales of ready-made mainstay products and stepping up activities to win orders for custom-made items. It also continued to supply products to the greatest extent possible to meet market needs, particularly for plastic products, which were most heavily affected, while expanding demand for environmentally friendly products also contributed to a significant increase in sales.

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

The Store sales business focused on acquiring new customers and deepening existing relationships using CRM. In response to unstable product supply conditions, the Company leveraged its supply capabilities, and efforts such as proposing alternative products proved successful, resulting in significant sales growth.

●Online (EC) sales business (Sales through the SHIMOJIMA Online Shop)

Membership and sales for the SHIMOJIMA Online Shop increased steadily. However, raw material shortages and supplier disruptions led to the discontinuation of some products and delays in launching new products.

Net sales by product segment

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

In the Paper products segment, consolidated net sales were JPY 2,714 mn (+11.4% YoY), supported by particularly solid demand for food bags.

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

The Plastic products and packaging materials segment performed well overall, including ready-made plastic products such as polyethylene bags, shopping bags, and OPP bags. Consolidated net sales were JPY 11,728 mn (+26.0% YoY).

●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)

In the In-store equipment and supplies segment, consolidated net sales were JPY 4,002 mn (+17.1% YoY), driven by expanded demand for essential items in the medical and sanitary fields, such as nitrile gloves.

Performance trends by product segment

(JPY mn, %)	FY2024/3			FY2025/3			FY2026/3			FY2026/3 Q1			FY2027/3 Q1		
	JPY mn	YoY	% of Total	JPY mn	YoY	% of Total	JPY mn	YoY	% of Total	JPY mn	YoY	% of Total	JPY mn	YoY	% of Total
Net sales	57,794	5.0	100.0%	60,680	5.0	100.0%	64,829	6.8	100.0%	15,167	4.9	100.0%	18,446	21.6	100.0%
(By Product Segment)															
Paper products	10,153	1.6	17.6%	9,997	(1.5)	16.5%	10,634	6.4	16.4%	2,436	3.2	16.1%	2,714	11.4	14.7%
Plastic products and Pkg. materials	34,166	7.3	59.1%	36,494	6.8	60.1%	39,639	8.6	61.1%	9,311	6.8	61.4%	11,728	26.0	63.6%
In-store equipment and supplies	13,475	2.1	23.3%	14,188	5.3	23.4%	14,555	2.6	22.5%	3,419	1.1	22.5%	4,002	17.1	21.7%
Others	-			-			-			-			-		
			Profit margin*			Profit margin*			Profit margin*			Profit margin*			Profit margin*
Operating profit (Segment profit)	3,262	62.2	5.6%	2,986	(8.5)	4.9%	3,456	15.7	5.3%	658	18.3	4.3%	1,640	149.2	8.9%
Paper products	1,268	11.1	12.5%	1,116	(12.0)	11.2%	1,196	7.2	11.2%	223	(1.8)	9.2%	287	28.7	10.6%
Plastic products and Pkg. materials	3,201	39.3	9.4%	3,063	(4.3)	8.4%	3,965	29.4	10.0%	766	9.7	8.2%	1,598	108.6	13.6%
In-store equipment and supplies	629	44.9	4.7%	530	(15.7)	3.7%	609	14.9	4.2%	110	144.4	3.2%	254	130.9	6.3%
Others	26			71			65			4			27		
Adjustments	(1,863)			(1,795)			(2,379)			(447)			(527)		
Ordinary profit	3,623	51.7	6.3%	3,303	(8.8)	5.4%	3,869	17.1	6.0%	774	35.4	5.1%	1,718	121.9	9.3%
Net profit attributable to owners of parent	2,372	53.8	4.1%	2,088	(12.0)	3.4%	2,738	31.1	4.2%	521	42.2	3.4%	1,146	119.8	6.2%

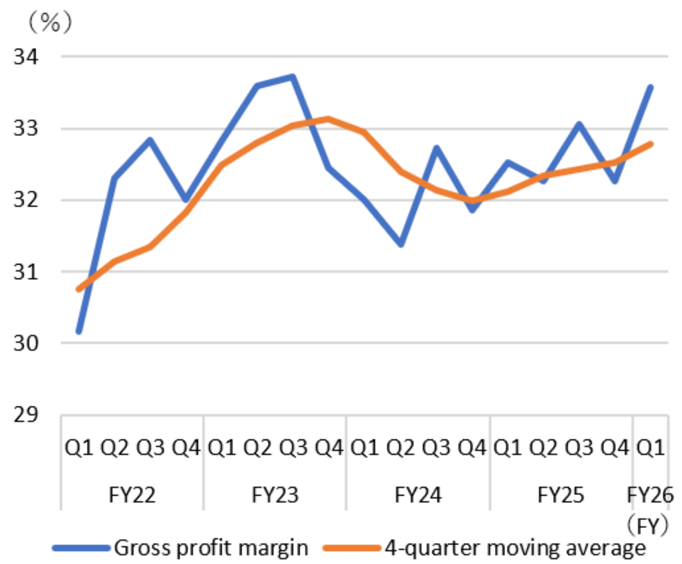
Note 1: The segment profit margin is calculated as profit divided by net sales for each segment.
Note 2: Figures may differ from the Company materials due to differences in SIR's financial data processing and the Company's reporting standards.
Source: Compiled by SIR from the Company's annual securities report and earnings summary.

■Profit margins improving

In Q1 FY2027/3, gross profit increased sharply by 25.5% YoY and the gross profit margin rose to 33.6% from 32.5% a year earlier, supported by price increases to pass on higher raw material costs, strong sales of the Company's original products, including environmentally friendly products, and robust sales of relatively high-margin ready-made products. On the cost side, the Company restrained other administrative expenses despite higher logistics costs and personnel expenses.

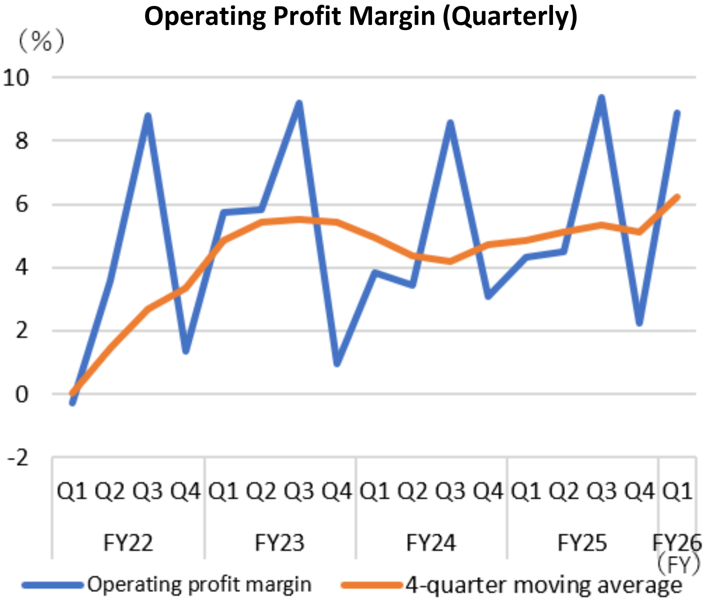
As a result, Q1 FY2027/3 net sales came to JPY 18,446 mn (+21.6% YoY), operating profit was JPY 1,640 mn (+149.2% YoY), ordinary profit was JPY 1,718 mn (+121.9% YoY), and net profit was JPY 1,146 mn (+119.8% YoY), with all profit lines more than doubling from a year earlier.

Gross Profit Margin (Quarterly)



Source: Compiled by SIR from the Company's earnings summary.

Operating Profit Margin (Quarterly)



Source: Compiled by SIR from the Company's earnings summary.

Maintaining Full-year FY2027/3 Forecast

Maintained initial full-year FY2027/3 forecast

The Company maintained its initial full-year FY2027/3 forecast announced in May. The forecast calls 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 the absence of the temporary reduction in the Company's income tax burden recorded in FY2026/3.

The increase in Q1 demand was driven in part by exceptional factors stemming from heightened tensions in the Middle East. Given the broader macro demand trend, demand could fall back as this temporary boost fades. In light of this, the Company noted that it is maintaining its FY2027/3 forecast at this time.

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 FY2026/3 full-year financial results briefing materials released on June 4, 2026.

Topics

■Measures toward management conscious of cost of capital and stock price (updated May 25, 2026)

On May 25, 2026, the Company announced "Progress and Future Initiatives for Realizing Management Conscious of Cost of Capital and Stock Price." On May 13, 2026, it had 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 total partner that brings energy to customers through packaging and services.

The materials released provide a further analysis of the current status of the initiatives set out in the medium-term management plan above and serve as an update to the Company's approach and specific initiatives.

Medium-term management plan targets

(JPY mn)	FY2026/3 Act	FY2030/3 Target
Net sales	64,829	80,000
Operating profit	3,456	5,200
ROE	7.60%	8.0% or higher
P/E	11.96x	12.5x or higher
P/B	0.89x	1.0x or higher
ROIC	6.50%	6.5%～7.2%
D/E Ratio	0.20%	50%

※The sharp rise in the D/E ratio reflects the Company's shift from a virtually debt-free balance sheet as it prepares for growth investment, primarily in logistics.

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

Measures aimed at achieving targets

	Items	Measures toward FY2030/3	KPI
1	Improve gross profit margin	●Expand the sales mix of environmentally friendly products	●Raise the sales mix of environmentally friendly products among the Company's original products to 25% in FY2030/3, from 20.4% in FY2026/3
2	Control SG&A expenses by improving productivity	●Optimize sales channels by exiting or closing unprofitable businesses; utilize AI and promote digitalization	●In-house AI usage rate: 100% ●Orders EDI ratio: 90%, Purchasing EDI ratio: 70% ●Electronic contract ratio: 60%, Electronic delivery note ratio: 50% ●Electronic invoice ratio: 90%, Routine task reduction rate: 30%
3	Improve earnings by generating returns on investment	●Growth investment	●Continue to proactively pursue M&A ●Investment plan: JPY 30.5 bn, including JPY 15.0 bn in logistics investment
4	Enhance corporate value by raising awareness	●Strengthen IR activities	●Continue initiatives
5	Build a shareholder base that supports stable growth	●Proactive shareholder returns and a clear commitment to stable dividends	●Continue initiatives

Source: Compiled by SIR from "Progress and Future Initiatives for Realizing Management Conscious of Cost of Capital and Stock Price," the Q1 FY2027/3 earnings summary, and other materials.

Share Price Insights

■Share price trends

On February 28, 2026, the US and Israel launched a military attack on Iran, sharply escalating tensions in the Middle East and raising concerns over crude oil and naphtha procurement. 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 shares of the Company and industry peers Superbag (TSE: 3945), THE PACK (TSE: 3950), and KOHSOKU (TSE: 7504) remained weak through around early June, in contrast to TOPIX. Share prices subsequently began to recover, while Superbag remained weak after reporting a sharp drop in profit in Q1 FY2027/3. The Company's shares reached an intraday high of JPY 1,560 on August 27, 2026, marking a new 10-year high.

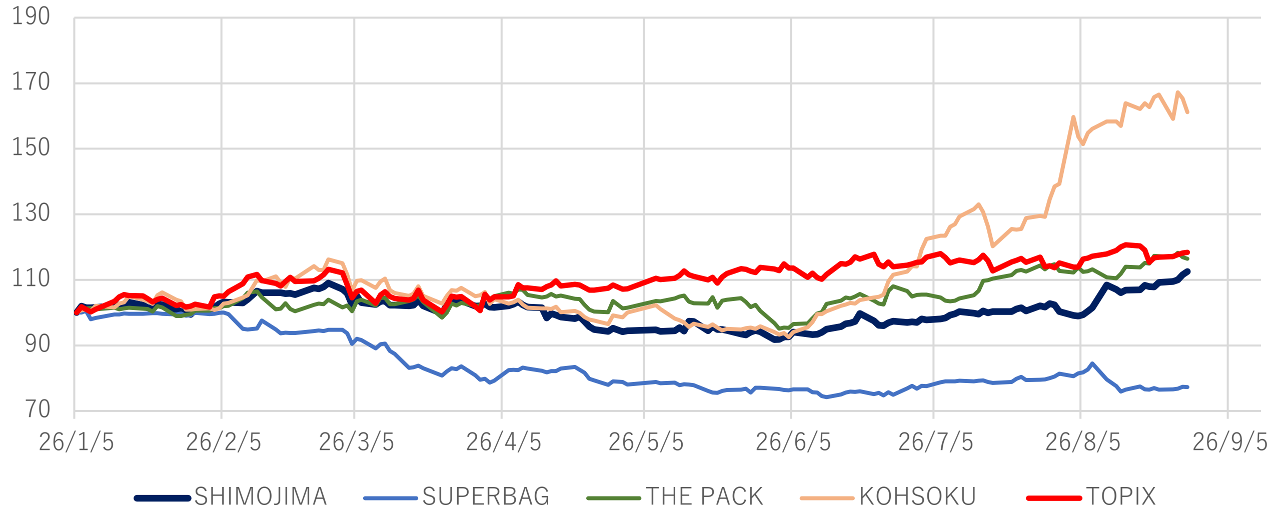
Factors behind the recovery in peer share prices include differences in business mix and company-specific initiatives. For THE PACK, the paper processing business accounted for 73.3% of sales in Q2 FY2026/12, resulting in relatively low exposure to petroleum-derived products. KOHSOKU's share price rose sharply on the back of strong earnings and a series of measures aimed at increasing its free-float market capitalization to improve its prospects for inclusion in TOPIX at the next review. These measures included raising its FY2027/3 annual dividend forecast to JPY 120, introducing a new shareholder benefit program based on shareholders of record at the end of August, and conducting share repurchases.

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

On August 5, 2026, the Japanese government approved a reduction in the consumption tax rate on food and beverages, including takeout and delivery, from the current 8% to 1% for two years starting in April 2027. This is expected to boost demand for prepared foods and, in turn, increase demand for food packaging materials handled by the Company, such as trays and bags. With some pullback expected following the temporary demand surge caused by instability in the Middle East, the food consumption tax cut could help offset this decline. At the same time, attention is turning to paper-based packaging materials as alternatives to petrochemical-derived plastic food trays and OPP bags, partly as a way to reduce the risk associated with the so-called “naphtha shock.”

Amid these market trends, particular attention is turning to environmentally friendly products, an area of focus for the Company. Under its medium-term management plan, the Company is targeting an increase in the sales mix of environmentally friendly products among its original products from 20.4% in FY2026/3 to 25.0% in FY2030/3. SIR believes that as the Company makes further concrete progress in executing this strategy, the market’s assessment of the Company will improve further and ultimately be reflected in the share price.

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



Source: Compiled by SIR from SPEEDA data.

LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report.

Sessa Partners Inc.

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