COMPANY RESEARCH AND ANALYSIS REPORT

‖ COMPANY RESEARCH REPORT ‖

Nagaileben Co., Ltd.

7447 Tokyo Stock Exchange Prime Market

Company information

17-Nov.-2026

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Summary

Leading manufacturer of medical gowns, whose features include high profit margins and a strong financial structure.
Sales and profit both increased in FY8/26, and the Company is also proactive regarding shareholder returns

Nagaileben Co., Ltd. <7447> (hereafter, also “the Company”) is a specialist manufacturer of medical gowns for nurses, doctors, patients, and others. Established in 1915 as Nagai Shoten, the Company has since grown into a leading manufacturer of medical gowns that boasts an annual supply of 6 million medical gowns and a domestic market share of over 60% in its core markets, which center on medical gowns for nurses. Its strength lies in an integrated system that undertakes every aspect of the business, from planning through to raw material procurement, manufacturing, and sales, and it combines high profitability with a strong financial structure, with a gross profit margin of 40.0% in FY8/26 and an equity ratio of 92.6% at the end of the fiscal year. The Company’s shares are listed on the Tokyo Stock Exchange Prime Market.

1. Overview of FY8/26 results

For the FY8/26 consolidated results, net sales increased 1.3% year on year (YoY) to ¥17,205mn, operating profit rose 1.2% to ¥3,625mn, recurring profit increased 3.5% to ¥3,835mn, and net profit attributable to the owners of the parent company increased 3.0% to ¥2,650mn. Although the operating environment in the market remained challenging, the Company secured higher sales overall, supported by the penetration of product price increases and the impact of the significant upward revisions to medical service fees and long-term care fees. In core markets in particular, net sales increased 3.7% YoY, with contributions from the acquisition of major new contracts and the renewal demand stimulated by the launch of the new miffy product range in 4Q. In contrast, net sales of patient wear declined 11.8%, as a pullback following the large-scale projects of the previous fiscal year coincided with restrained purchasing by customers (linen supply companies and others) affected by the situation in the Middle East. The gross profit margin improved to 40.0% (39.5% in the previous fiscal year) due to the higher overseas production ratio and price revisions, despite factors such as rising processing fees and raw material costs. Meanwhile, SG&A expenses, which increased 4.3% YoY, were almost in line with budget, resulting in a slight increase in operating profit.

2. FY8/27 forecasts

For the FY8/27 consolidated results, the Company expects that net sales will increase 1.7% YoY to ¥17,500mn, operating profit will decrease 0.7% to ¥3,602mn, recurring profit will increase 1.5% to ¥3,893mn, and net profit attributable to the owners of the parent company will increase 0.4% to ¥2,660mn. In the market as a whole, stabilization is expected against the backdrop of the upward revisions to medical service fees and long-term care fees. In the mainstay core markets, the Company expects to absorb the pullback following the large-scale projects of the previous fiscal year by actively launching new products in the strong-performing miffy product range and thereby steadily securing renewals of model-change projects and acquiring new accounts. In peripheral markets, it aims to increase sales by restoring patient wear sales, which were sluggish in the previous fiscal year, through strengthened sales of high-value-added products and the capture of replenishment demand, while sustaining growth in surgery wear.

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In terms of profitability, although there are negative factors such as the impact of forex (weaker yen) and rising processing fees and raw material costs, the Company expects to absorb these through the effects of price revisions and a higher overseas production ratio, and forecasts a slight improvement in the gross profit margin to 40.2% (40.0% in the previous fiscal year). Meanwhile, SG&A expenses are forecast to increase 5.3% due to factors including higher personnel expenses and royalty expenses, and as a result, operating profit is expected to decrease 0.7%. However, recurring profit and subsequent profit lines are forecast to increase, partly reflecting higher interest rates.

3. Mid-term management plan and shareholder returns

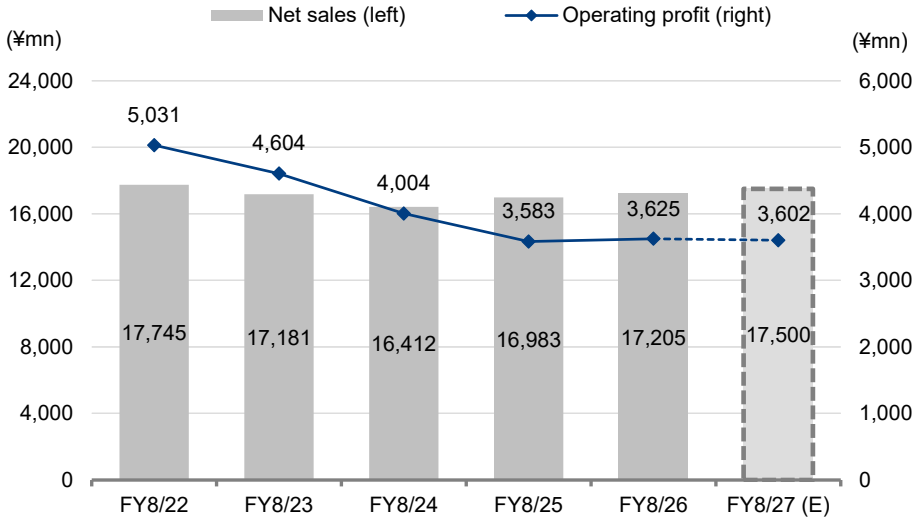
Taking into account the results of FY8/26, the Company is making progress with its mid-term management plan, which was rolled over from the previous plan. As for targets, the Company is aiming for net sales of ¥18.5bn and operating profit of ¥4.0bn in FY8/29. It plans to achieve the targets by continuing to promote its market strategy, product strategy, and production strategy. Regarding shareholder returns, the Company paid a regular annual dividend of ¥70.0 per share for FY8/26 (dividend payout ratio of 81.0% on a non-consolidated basis) and plans to pay the same annual dividend of ¥70.0 per share for FY8/27, which is currently in progress. Furthermore, the Company is also proactive about the repurchase of treasury shares. It has already repurchased a total of 1,093,000 treasury shares (¥1,999mn) from November 13 to December 26, 2025 and from June 30 to August 12, 2026, and has also announced that it will repurchase up to 600,000 treasury shares (¥1.0bn) from October 2 to December 31, 2026, during the ongoing FY8/27. Along with its strong financial structure, this proactive approach to shareholder returns is highly commendable.

Key Points

- In FY8/26, operating profit increased 1.2% due to the effects of price revisions and other factors
- For FY8/27, the Company expects higher sales but forecasts a 0.7% decrease in operating profit due to increases in personnel expenses and other costs
- Targeting operating profit of ¥4.0bn in FY8/29 in line with the mid-term management plan
- Proactive regarding shareholder returns, continuing the repurchase of treasury shares in addition to an annual dividend of ¥70.0 per share

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Trends in net sales and operating profit (consolidated)



Source: Prepared by FISCO from the Company's financial results

Company profile

Leading manufacturer of medical gowns that boasts high profit margins and a strong financial structure

The Company is a specialist manufacturer of medical gowns for nurses, doctors, patients, and others. Established in 1915 as Nagai Shoten, it has expanded its operations nationwide to become a leading manufacturer that boasts an annual supply of 6 million medical gowns and a domestic market share of over 60% in its core markets*: medical gowns mainly for nurses. With regard to shares, the Company is listed on the Tokyo Stock Exchange Prime Market.

* Domestic markets in which the Company has a relatively higher share. The markets include healthcare wear, doctors' wear, and utility wear and other products.

History

Year	Description
1915	Mitsuji Nagai started Nagai Shoten, a privately owned business specializing in medical gowns, in Kanda-Jinbocho, Chiyoda-ku, Tokyo
1941	Ended private business, established Tokyo Eisei Hakui Co., Ltd. together with seven stores in the same industry
1950	Liquidated Tokyo Eisei Hakui Co., Ltd. Mitsuji Nagai and Tatsuro Sawanobori jointly established Nagai Shoten Co., Ltd.
1969	Established a subsidiary, NAGAI UNIFORM INDUSTRY Co., Ltd., in Akita Prefecture to expand the medical gowns manufacturing division. Tatsuro Sawanobori was appointed President. Shifted focus of manufacturing and sales business specialization from multipurpose white gowns to medical gowns
1977	Built a second product center in Kameido, Koto-ku, Tokyo. Established a partnership with a US company, G.D. Searle & Company, and established Japan Surgical Apparel Co., Ltd. in Hiroshima City to expand sales of new surgical apparel products for hospitals. Established technology partnerships with Angelica Corporation (US) and Toray Industries, Inc. Developed and released medical gowns made with a new fabric for leasing
1979	Changed name to Nagai Co., Ltd.
1980	Opened a sales office in Takamatsu, Kagawa Prefecture. Concluded a license agreement with designer Kansai Yamamoto
1982	Concluded a license agreement with designer Yukiko Hanai
1988	Established Emit Kosan Co., Ltd. as a spin-off from Nagai Co., Ltd. Thereafter, the two companies exchanged their names, with Emit Kosan Co., Ltd. (changed to Emit Co., Ltd. in 1990) becoming a group management company, and Nagai Co., Ltd. becoming a group headquarters for sales
1989	Newly built Nagai Luminous, a manufacturing plant for high-grade products, in Akita Prefecture. Started overseas production with a view to the global division of labor
1991	Changed name from Emit Co., Ltd. to Nagai Co., Ltd. following an absorption-type merger with Nagai Co., Ltd. and another subsidiary
1994	Changed name from Nagai Co., Ltd. to Nagaileben Co., Ltd. Built a new logistics center in Akita Prefecture
1995	Started over-the-counter trading of the Company's stock. Started development and sales of a second pillar product to respond to the aging of society. Vice President Ichiro Sawanobori appointed President
1996	Concluded a license agreement with French designer Andre Courreges
1999	Opened a sales office in Nagoya, Aichi Prefecture. Concluded a license agreement with designer Atsuro Tayama
2001	Listed on the Second Section of the Tokyo Stock Exchange (TSE)
2002	Established a technology partnership with Standard Textile Company, Inc. (US) and Toray Industries, Inc. for surgical textiles. Raised the status of the Nagoya sales office to a branch

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Year	Description
2004	Acquired ISO 9001 certification. Listed on the First Section of the TSE. Absorbed Hokkaido Nagai Co., Ltd. and established the Hokkaido branch
2005	Acquired ISO 14001 certification. Concluded a license agreement with designer Keita Maruyama
2006	Concluded a brand agreement with designer Minako Yokomori
2013	Concluded a license agreement with Dick Bruna Japan Co., Ltd. for the commercialization of healthcare uniforms featuring miffy and other illustrations created by Dick Bruna
2014	Relocated to a new head office building in Kajicho, Chiyoda-ku, Tokyo
2015	Held a ceremony to commemorate the Company's 100th anniversary
2016	Transitioned to a company with an Audit & Supervisory Committee
2017	Concluded a joint development agreement with Shiseido Company, Limited
2018	Constructed a new sewing center in Daisen City, Akita Prefecture
2020	Delivered 600,000 articles of PPE garments to Japan's Ministry of Health, Labour and Welfare for COVID-19 protection
2022	Transitioned to the TSE Prime Market
2023	Signed license agreements with Yagi Tsusho Limited and Mackintosh Japan Limited
2024	Reopened Osaka branch showroom
2025	Registered August 9 each year as Nagaileben "Healthcare Uniform Day" with the Japan Anniversary Association. Established the Seoul Branch in Seoul, Republic of Korea. Launched joint research with the National University Corporation Akita University on reducing the environmental impact of medical gowns

Source: Prepared by FISCO from the Company's website and securities report

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Business overview

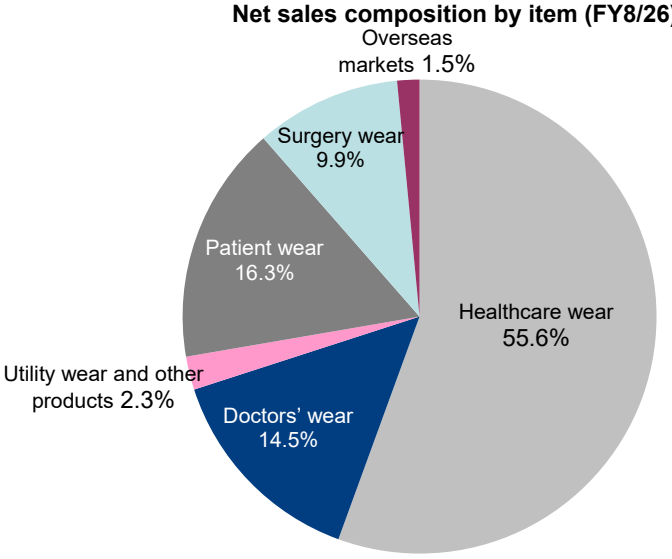
Aiming to improve profitability through expanded sales of high-value-added products and increased overseas production ratio

1. Sales breakdown

The Company's products are medical gowns and related products. It operates in a single product category, so it does not disclose segment data, but net sales composition by item for FY8/26 is 55.6% from healthcare wear, 14.5% from doctors' wear, 2.3% from utility wear and other products, 16.3% from patient wear, 9.9% from surgery wear, and 1.5% from overseas markets.

Healthcare wear mainly refers to products for nurses, while utility wear and other products include utility wear (aprons, cardigans, and other garments worn on top of medical gowns and such), shoes, and infection prevention products. While profit margin does not vary much among the various items, utility wear and other products have a high percentage of purchased products and relatively low margins.

Net sales composition by item (FY8/26)

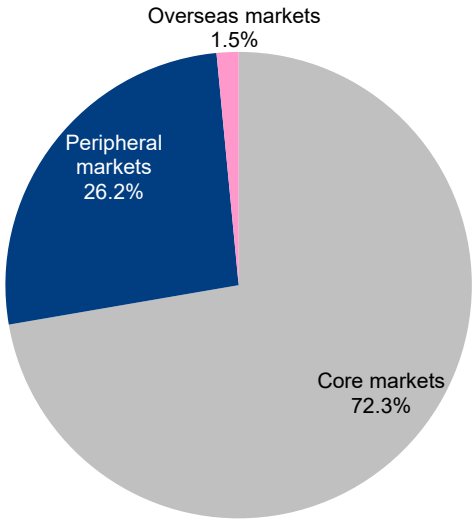


Source: Prepared by FISCO from the Company's financial results and results briefing materials

The Company has also introduced a classification by market, in which the markets are divided into three categories: the core markets where the Company has comparatively high market shares domestically (healthcare wear, doctors' wear, and utility wear and other products), the peripheral markets, where there is significant potential for future growth (patient wear and surgery wear), and the overseas markets. Regarding the net sales composition by market in FY8/26, the core markets accounted for 72.3%, the peripheral markets for 26.2%, and the overseas markets for 1.5%.

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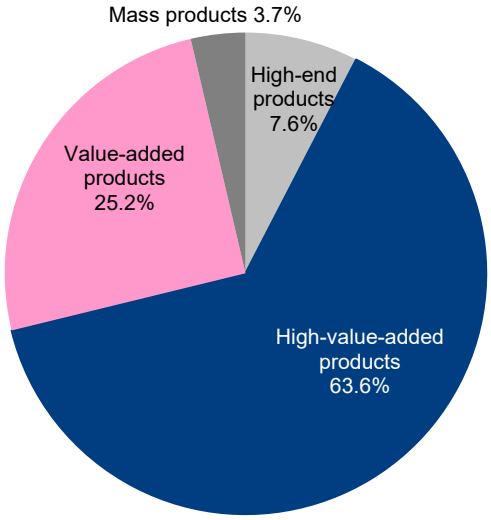
Net sales composition by market (FY8/26)



Source: Prepared by FISCO from the Company's financial results and results briefing materials

The net sales composition by product (function) for FY8/26 is 7.6% from high-end products, 63.6% from high-value-added products, 25.2% from value-added products, and 3.7% from mass products. Looking at the price-band classifications in nurse wear, mass products are ¥5,000 or less, value-added products are ¥5,000 to ¥7,500, high-value-added products are ¥7,500 to ¥10,000, and high-end products are ¥10,000 or more. The tendency is for higher prices to achieve greater profit margins, so the Company is focusing on expanding sales of high-end products and high-value-added products.

Net sales composition by product (FY8/26)



Source: Prepared by FISCO from the Company's results briefing materials

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2. Sales channels and production status

The Company's end users include nurses and doctors, with the purchasers of the products mainly being medical facilities such as hospitals, nursing care facilities, and other such facilities. However, the Company does not conduct direct sales, with sales being conducted through intermediaries that deal with these medical and other facilities. As a result, sales expenses are kept down, but the Company is still able to understand customers' needs because the sales staff is constantly in contact with large hospitals and other facilities.

In the past, medical gowns were laundered in-house by the hospitals themselves in most cases, but in recent years, they have been switching to leasing alongside the spread in laundry outsourcing. The lease term is typically for four years. Because this generates lease renewal demand every four years, it provides stable support for the Company's earnings. However, the lease renewal cycle does not necessarily occur in the same time period as it did previously, and it may be slightly earlier or later, so sometimes, net sales fluctuate from quarter to quarter.

Based on FY8/26 results (non-consolidated), internal production and production at partner plants constitute an aggregate of 99.4% (40.9% domestically and 58.5% overseas), with purchased products accounting for 0.6%. Overseas production takes place in Indonesia, Vietnam, and China, but the Company owns no plants in these countries, and the products are produced at the plants of its local partners, which mitigates investment risk and reduces costs.

3. Features and strengths

One of the Company's strengths is that it has in place an integrated system to undertake every aspect of this business, from planning through to raw material procurement, manufacturing, and sales. In its product planning, it can accurately understand customer needs and reflect them in its products accordingly. Specifically, the Company sells products that are easy to work in (allowing ease of movement) while incorporating antistatic, antibacterial (suppressing bacterial growth), and other functions, as well as featuring excellent designs. It deals directly with major synthetic fiber manufacturers and textile traders, including Toray <3402>, with which it jointly develops materials, so it is able to secure optimal materials and produce at low cost while selling them at appropriate margins.

Furthermore, in addition to having a large number of partner plants, it has abundant financial resources, enabling the Company to constantly maintain product item inventories covering thousands of product varieties and respond to needs for made-to-order products. Moreover, it has established a quick response (QR) system of rapid production and sales that promptly delivers the desired products by the specified date in response to a broad range of customer needs. On the sales side, the Company has a network of close to 1,000 agents nationwide, and while its sales capabilities are robust, the Company itself keeps sales expenses as low as possible.

As a result, in the core market for medical gowns, the domestic share exceeds 60%, and it maintains a solid position as the leading company in medical gowns. In addition, the gross profit margin for FY8/26 was at a high level of 40.0%. The fact that it has both a high profit margin and a high market share demonstrates that many of its customers are satisfied with its products and services, which is the Company's greatest strength.

Concentrating its business resources in the niche market of medical gowns enables the Company to efficiently manage every aspect of its business, from planning through to production and sales. Although these are niche markets, peripheral markets where the Company's share is relatively low—such as patient wear and surgery wear—still have room for development. The Company states, "For the time being, it is possible to grow the business with medical gowns, and we will continue to actively develop peripheral markets."

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Actively engages in CSR activities while being guided by its unique “Nagaism” company spirit

4. Initiatives for CSR

The Company commemorated the 110th anniversary of its foundation in 2025. Since it was founded, it has cultivated “Nagaism,” the company spirit, which is focused on realizing interpersonal harmony, generating profits, and contributing to society. Today, it continues to undertake the following specific CSR initiatives.

Main initiatives centered on “We aspire to be a source of strength for life”

(1) Expanding women’s roles: Supporting industries in which women play a central role

Many of the Company’s products are for women working on the front lines at hospitals and nursing care facilities, and many women are involved in sewing work at its production facilities. The Company’s business operations create many opportunities to expand the roles of women, who have a variety of life stages, which in turn supports working women.

(2) Contributing to customers

a) The Company opened the ITONA gallery, an oasis for nurses

The ITONA gallery, Japan’s first communication space for nurses, was opened in 2015 to celebrate the Company’s 100th anniversary of its foundation and as a gesture of gratitude to nurses, the Company’s main end users.

b) Beauty courses for nurses

With the cooperation of Shiseido Japan Co., Ltd., the Company provides practical workshops on such subjects as makeup and professional demeanor, and other skills appropriate for nurses in clinical settings. The courses have been provided online since FY8/22 and have included online beauty courses and beauty-related instructional videos. In 1Q FY8/24, the Company provided the re-edited version of the videos to medical institutions to be used in training for new nurses beginning their careers.

c) Remaking student nurses’ uniforms

The Company remakes the training uniforms of student nurses at Okayama University into pochettes and other items so that they can be used by nurses after they start working at medical facilities. In addition, in 1Q FY8/24, the training uniforms of all graduates of FUJI Nursing School were upcycled into pochettes and presented to them through the school as graduation gifts.

(3) Contributing to communities

a) Medical Kids Project

This project was launched to deepen interaction between hospitals and local communities and enable children to attend hospitals or undergo hospitalization with peace of mind. Child-sized medical gowns resembling those worn by doctors and nurses are lent to hospitals, and people dressed as characters make hospital visits.

b) Lending of historical gowns

The Company has created an archive of historical gowns, which it lends free of charge to events run by medical institutions and others to pass on the history of nursing.

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c) Contributing to communities through production sites

The Company is creating employment and contributing to the development of regional economies through its production operations in Akita Prefecture (since 1969) in Japan, and in China, Indonesia, Vietnam, and elsewhere overseas (since 1989).

(4) Recent new initiatives

a) Healthcare support for developing countries

The Company donated items such as surgical gowns, surgical supplies, and isolation gowns through an NPO corporation to help protect healthcare professionals in Cambodia against infection risk.

b) Establishing Nagaileben "Healthcare Uniform Day"

With the desire to spread appreciation throughout society for everyone who wears a medical gown, the Company registered August 9 as Nagaileben "Healthcare Uniform Day" with the Japan Anniversary Association.

Social responsibility initiatives

(5) Environment

a) Reducing environmental burden through business

Many of the Company's products use materials derived from depletable resources, and it believes that planning, manufacturing, and selling products that can be used repeatedly and for a long time contribute to the effective use of limited resources and a reduction in the environmental impact. Specifically, in addition to acquiring ISO 14001 certification in 2005, the Company is developing new reusable infection prevention products. It has also developed and sells COMPELPAK, a reusable product for hospital operating rooms, which reduces medical waste by providing operating rooms, where many disposable materials are used, with garments that can be laundered and sterilized for repeated use. Other measures include the installation of solar panels on the headquarters building and the Nagaileben West Japan Distribution Center and the introduction of hybrid vehicles (HVs) as sales vehicles.

b) Response to climate change problems

The Company is implementing a decision-making process for scenario analysis, including mitigation and adaptation initiatives for climate change problems, identification of opportunities and risks, etc. as part of its climate-change disclosures in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

(6) Social contribution

The Company's social contribution activities include providing uniforms to the Japanese Nursing Association for nurses working in disaster relief, donating infection prevention products to medical institutions and others, conveying messages of support to healthcare professionals, and publishing a poetry collection for nurses on a regular basis and presenting it free of charge to hospitals and nurses. In supporting the employment of people with disabilities, subsidiary NAGAI UNIFORM INDUSTRY Co., Ltd. was awarded by the Minister of Health, Labour and Welfare for being an excellent business that contributes to the active employment and promotion of persons with disabilities, and the Company's Representative Director and President, Ichiro Sawanobori, has been appointed as Industrial Ambassador for Misato Town (Akita Prefecture).

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In disaster relief, the Company has provided monetary donations, medical gowns, masks, wheelchairs, and other items through the Japanese Nursing Association and the Japanese Red Cross Society in response to SARS; natural disasters including the major earthquake in Indonesia, the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, and the Kumamoto earthquakes; and the COVID-19 pandemic. It also supports the United Nations World Food Programme (WFP), an agency that provides food assistance, and the Minamisanriku Cherry Tree Planting for Recovery, in which it works with volunteers in Minamisanriku Town, Miyagi Prefecture, which was affected by the Great East Japan Earthquake, to plant cherry trees at the “Ocean View Forest for Saving Life,” located in areas reached by the tsunami. Furthermore, the Company’s initiatives have been introduced in Future Class, a teaching material used in classes on the Sustainable Development Goals (SDGs) that is distributed to elementary and junior high schools nationwide, and the Company participates in an educational program for children organized by Resona Bank, Ltd., in which it carries out activities aimed at deepening interest and understanding regarding the work of healthcare professionals through a seminar on medical gowns. In addition, it supports “Para Art” activities, which support people with disabilities through art.

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Results trends

Net sales increased in FY8/26 due to price revisions and other factors, and operating profit rose 1.2%

1. Overview of FY8/26 results

In FY8/26, the Company posted consolidated results in which net sales increased 1.3% YoY to ¥17,205mn, operating profit rose 1.2% to ¥3,625mn, recurring profit increased 3.5% to ¥3,835mn, and net profit attributable to the owners of the parent company increased 3.0% to ¥2,650mn.

Although the operating environment in the market remained challenging, the Company secured higher sales overall, supported by the penetration of product price increases and the impact of the significant upward revisions to medical service fees and long-term care fees. In terms of profitability, the gross profit margin improved 0.5 percentage points (pp) from the previous fiscal year to 40.0%, and as a result, gross profit increased 2.6% to ¥6,887mn. The factors behind the change in gross profit were an increase of ¥88mn due to higher sales and an increase of ¥88mn due to the improved profit margin. The breakdown of the improvement in the profit margin is as follows. Forex* had a positive effect, partly due to the effects of forward contracts, adding ¥7mn (¥151.7/USD in FY8/26 compared to ¥152.0/USD in FY8/25); a higher overseas production ratio (58.5% in FY8/26 vs. 55.5% in FY8/25) added ¥90mn; rising processing fees had a negative impact of ¥80mn; higher raw material costs had a negative impact of ¥170mn; lower overseas logistics costs (which increased sharply in the previous fiscal year due to special factors) added ¥60mn; and price revisions and other factors added ¥181mn.

* According to the Company, the actual market exchange rate was ¥158.8/USD in FY8/26 (average from January to August 2026) and ¥149.7/USD in FY8/25 (annual average), whereas the exchange rate applied to cost of sales, which reflects the effects of forward exchange contracts and inventories, was ¥151.7/USD in FY8/26 and ¥152.0/USD in FY8/25.

SG&A expenses increased 4.3% YoY to ¥3,262mn, mainly due to a ¥56mn increase in personnel expenses, a ¥34mn increase in advertising expenses, and a ¥13mn increase in royalty expenses. These royalty expenses are associated with the miffy products launched in FY8/26. Capital investments totaled ¥310mn (building and property-related ¥72mn, IT facilities ¥150mn, logistics facilities ¥4mn, production facilities ¥82mn, etc.), and depreciation was ¥297mn (¥279mn in the previous fiscal year).

FY8/26 consolidated results

(¥mn)

	FY8/25		FY8/26		YoY	
	Results	% of net sales	Results	% of net sales	Change amount	Change %
Net sales	16,983	-	17,205	-	221	1.3%
Gross profit	6,712	39.5%	6,887	40.0%	175	2.6%
SG&A expenses	3,128	18.4%	3,262	19.0%	133	4.3%
Operating profit	3,583	21.1%	3,625	21.1%	42	1.2%
Recurring profit	3,706	21.8%	3,835	22.3%	129	3.5%
Net profit attributable to the owners of the parent company	2,573	15.2%	2,650	15.4%	76	3.0%

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Source: Prepared by FISCO from the Company's financial results

(1) Net sales by item and market

In the Company's core markets, net sales increased 3.7% YoY to ¥12,437mn. Although renewal projects tended to be delayed due to the challenging market environment and the impact of price revision negotiations, sales recovered sharply in 4Q following the revisions to medical service fees and long-term care fees, increasing 17.5% YoY. In particular, the well-received new miffy product range stimulated renewal demand and contributed to progress on projects. By item, net sales increased 4.3% to ¥9,559mn for healthcare wear, increased 3.1% to ¥2,486mn for doctors' wear, and fell 6.7% to ¥391mn for utility wear and other products.

In peripheral markets, net sales decreased 5.4% YoY to ¥4,506mn. By item, net sales of patient wear decreased 11.8% to ¥2,798mn due to a pullback following the large-scale projects of the previous fiscal year, coupled with restrained purchases for replenishment by major customers (linen supply companies) affected by the situation in the Middle East. On the other hand, net sales of surgery wear remained strong, as in the previous fiscal year, up 7.3% to ¥1,708mn. Net sales in overseas markets increased 16.9% YoY to ¥261mn. In addition to the delivery of projects in Taiwan whose timing had been shifted, sales from the newly established Seoul Branch contributed. Because the sales base is small, YoY fluctuations can be substantial depending on whether projects are recorded.

Net sales by item and market

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Results	YoY
Core markets	11,996	3.1%	12,437	3.7%
Healthcare wear	9,165	4.0%	9,559	4.3%
Doctors' wear	2,412	2.5%	2,486	3.1%
Utility wear and other products	419	-10.8%	391	-6.7%
Peripheral markets	4,763	5.7%	4,506	-5.4%
Patient wear	3,171	6.9%	2,798	-11.8%
Surgery wear	1,592	3.3%	1,708	7.3%
Overseas markets	224	-15.1%	261	16.9%
Total	16,983	3.5%	17,205	1.3%

Source: Prepared by FISCO from the Company's financial results

(2) Net sales by product

For high-end products, net sales declined 3.1% YoY in 1H, as net sales in 1H of the previous fiscal year had been solid partly due to the contribution of the new MACKINTOSH PHILOSOPHY brand, but recovered to increase 2.0% in 2H, resulting in a 1.2% decrease to ¥1,308mn for the full year. Net sales of high-value-added products continued the firm trend of the previous fiscal year, increasing 3.7% to ¥10,938mn, partly due to the contribution of miffy-related products. Net sales of value-added products decreased 3.5% to ¥4,328mn due to the impact of patient wear, although sales of low-price strategic products utilizing integrated overseas production increased. Net sales of mass products decreased 0.4% to ¥629mn, but given their small scale, the impact on overall results was minimal.

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Net sales by product

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Results	YoY
High-end products	1,324	4.3%	1,308	-1.2%
High-value-added products	10,543	7.1%	10,938	3.7%
Value-added products	4,483	-4.1%	4,328	-3.5%
Mass products	632	0.8%	629	-0.4%
Total	16,983	3.5%	17,205	1.3%

Source: Prepared by FISCO from the Company's results briefing materials

The equity ratio is 92.6%. The Company's financial position is solid. Cash on hand and deposits are abundant at ¥22.4bn

2. Financial position

(1) Balance sheets

The Company's financial position remains healthy and stable. At the end of FY8/26, total assets decreased ¥2,500mn from the end of the previous fiscal year to ¥42,192mn. Current assets decreased ¥2,616mn from the end of FY8/25 to ¥33,583mn, mainly due to a decrease in cash and deposits of ¥1,846mn and a decrease in notes and accounts receivable - trade including electronically recorded monetary claims - operating of ¥1,490mn that offset an increase in inventories of ¥706mn. Meanwhile, non-current assets totaled ¥8,609mn, up ¥116mn from the end of FY8/25, mainly reflecting a decrease in property, plant and equipment of ¥74mn from depreciation, an increase in intangible assets of ¥81mn connected to IT-related investment, and an increase in investments and other assets of ¥109mn.

Total liabilities were ¥3,135mn, down ¥238mn from the end of the previous fiscal year. This was mainly due to an increase in accounts payable - trade of ¥8mn, an increase in income taxes payable of ¥101mn, and a decrease in other current liabilities of ¥321mn. Total net assets decreased ¥2,261mn to ¥39,056mn. This was mainly because retained earnings decreased ¥8,124mn due to the cancellation of treasury shares and other factors, while treasury shares, which are deducted from net assets, decreased ¥5,786mn. As a result, the equity ratio was 92.6% at the end of FY8/26 (92.5% at the end of the previous fiscal year).

The Company's financial position remains strong, with the equity ratio and cash on hand and deposits at high levels, but going forward, making effective use of this ample cash is likely to be a key challenge.

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Summary of the consolidated balance sheets

(¥mn)

	End of FY8/25	End of FY8/26	Change amount
Cash and deposits	24,246	22,399	-1,846
Notes and accounts receivable - trade including electronically recorded monetary claims - operating	4,683	3,192	-1,490
Inventories	7,050	7,757	706
Total current assets	36,200	33,583	-2,616
Property, plant and equipment	7,255	7,181	-74
Intangible assets	167	249	81
Total investments and other assets	1,069	1,178	109
Total non-current assets	8,492	8,609	116
Total assets	44,692	42,192	-2,500
Accounts payable - trade	766	774	8
Income taxes payable	638	740	101
Other current liabilities	1,014	692	-321
Total liabilities	3,373	3,135	-238
Retained earnings	45,403	37,278	-8,124
Treasury shares	-8,108	-2,321	5,786
Total net assets	41,318	39,056	-2,261
Total liabilities and net assets	44,692	42,192	-2,500

Note: Accounts payable - trade at the end of FY8/25 is presented as notes and accounts payable - trade in the Company's financial results.
Source: Prepared by FISCO from the Company's financial results

(2) Cash flow status

Cash flows from operating activities in FY8/26 were a net inflow of ¥3,528mn. The main inflows included income before income taxes of ¥3,842mn, depreciation of ¥297mn, a ¥1,354mn decrease in trade receivables, and an ¥8mn increase in trade payables, while the main outflow was a ¥706mn increase in inventories. Cash flows from investing activities were a net inflow of ¥1,670mn. The main inflow was ¥2,000mn from the withdrawal of time deposits (net), and the main outflow was ¥222mn for the acquisition of property, plant and equipment. Cash flows from financing activities were a net outflow of ¥5,050mn. The main outflows were ¥3,046mn for the payment of dividends and ¥2,003mn for the purchase of treasury shares. As a result, cash and cash equivalents increased ¥153mn during the period, leaving the balance at the end of FY8/26 at ¥4,899mn.

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Summary of the consolidated statement of cash flows

(¥mn)

	FY8/25	FY8/26
Cash flows from operating activities	2,180	3,528
Income before income taxes	3,706	3,842
Depreciation	279	297
Decrease (increase) in trade receivables	389	1,354
Decrease (increase) in inventories	-459	-706
Increase (decrease) in trade payables	-531	8
Cash flows from investing activities	1,109	1,670
Purchase of property, plant and equipment	-291	-222
Change in time deposits (net)	1,500	2,000
Cash flows from financing activities	-3,894	-5,050
Dividends paid	-1,888	-3,046
Purchase of treasury shares (including deposits)	-2,005	-2,003
Change in cash and cash equivalents	-603	153
Balance of cash and cash equivalents at period end	4,746	4,899

Source: Prepared by FISCO from the Company's financial results

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Outlook

Operating profit forecast to decrease 0.7% in FY8/27, but recurring profit expected to increase

1. FY8/27 forecasts

For the FY8/27 consolidated results, the Company forecasts that net sales will increase 1.7% YoY to ¥17,500mn, operating profit will decrease 0.7% to ¥3,602mn, recurring profit will increase 1.5% to ¥3,893mn, and net profit attributable to the owners of the parent company will increase 0.4% to ¥2,660mn.

Although uncertainty remains in the operating environment in the market, including future global developments and rising prices, the Company expects the market to stabilize against the backdrop of the upward revisions to medical service fees and long-term care fees. In the mainstay core markets, it expects to absorb the pullback following the large-scale projects of the previous fiscal year by actively launching new products in the strong-performing miffy product range and thereby steadily securing renewals of model-change projects and acquiring new accounts. In peripheral markets, it aims to return to a sales growth trajectory by restoring patient wear sales, which were sluggish in the previous fiscal year, through strengthened sales of high-value-added products and the capture of replenishment demand, while sustaining growth in surgery wear. In overseas markets, it will pursue new initiatives to expand the scale of its business. Through these measures, the Company aims to achieve sales growth for the third consecutive fiscal year.

The gross profit margin is forecast to improve to 40.2% (40.0% in the previous fiscal year), and gross profit is expected to increase 2.2% YoY to ¥7,038mn in conjunction with higher sales. The factors behind the change in gross profit are expected to be an increase of ¥118mn due to higher sales and an increase of ¥33mn due to an improved profit margin. As for the factors behind the improvement in the gross profit margin, although a ¥130mn decrease is expected due to forex (weaker yen) (¥158.1/USD compared to ¥151.7/USD in FY8/26), the Company expects a ¥90mn increase due to the effect of a higher overseas production ratio (61.5% vs. 58.5% in FY8/26), a ¥130mn decrease due to the impact of rising processing fees, a ¥140mn decrease due to higher raw material costs, a ¥20mn increase due to lower overseas logistics costs, and a ¥323mn increase due to the effects of price revisions and other factors.

SG&A expenses are expected to increase 5.3% YoY to ¥3,436mn. This is mainly due to an expected ¥50mn increase in personnel expenses, a ¥5mn increase in advertising expenses, and a ¥41mn increase in royalty expenses. The Company expects capital investments to total ¥346mn (building and property-related ¥102mn, IT facilities ¥206mn, logistics facilities ¥8mn, production facilities ¥29mn, etc.) with depreciation of ¥318mn.

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FY8/27 consolidated results forecasts

(¥mn)

	FY8/26		FY8/27		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	Change %
Net sales	17,205	-	17,500	-	294	1.7%
Gross profit	6,887	40.0%	7,038	40.2%	150	2.2%
SG&A expenses	3,262	19.0%	3,436	19.6%	173	5.3%
Operating profit	3,625	21.1%	3,602	20.6%	-23	-0.7%
Recurring profit	3,835	22.3%	3,893	22.2%	57	1.5%
Net profit attributable to the owners of the parent company	2,650	15.4%	2,660	15.2%	9	0.4%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2. Net sales forecasts by item and market

By market, in core markets the Company will expand the lineup of the miffy product range and promote the renewal of existing projects and the acquisition of new projects. Although a pullback following the large-scale projects of the previous fiscal year is expected, it aims to maintain its sales growth trajectory and forecasts net sales will increase 0.7% YoY to ¥12,530mn. By item, it forecasts sales rising 1.0% to ¥9,660mn for healthcare wear and 1.4% to ¥2,520mn for doctors' wear, but a drop of 10.5% to ¥350mn for utility wear and other products.

It expects net sales in peripheral markets to increase 2.3% YoY to ¥4,610mn. For patient wear, the Company aims to acquire new accounts by promoting the benefits of its high-value-added products to users, and also anticipates a recovery in replenishment demand, forecasting net sales to rise 2.4% to ¥2,865mn. Surgery wear is expected to perform steadily. With a new customer for COMPELPAK having also been secured, the Company forecasts a 2.2% increase in net sales to ¥1,745mn by continuing to expand sales of new products and promoting the shift to a leasing model for surgery wear. In overseas markets, it aims to further expand its operations in both South Korea and Taiwan by promoting the adoption of leasing among hospitals and strengthening e-commerce sales to clinics, and forecasts that net sales will rise 37.5% to ¥360mn.

Net sales forecasts by item and market

(¥mn)

	FY8/26		FY8/27	
	Results	YoY	Forecast	YoY
Core markets	12,437	3.7%	12,530	0.7%
Healthcare wear	9,559	4.3%	9,660	1.0%
Doctors' wear	2,486	3.1%	2,520	1.4%
Utility wear and other products	391	-6.7%	350	-10.5%
Peripheral markets	4,506	-5.4%	4,610	2.3%
Patient wear	2,798	-11.8%	2,865	2.4%
Surgery wear	1,708	7.3%	1,745	2.2%
Overseas markets	261	16.9%	360	37.5%
Total	17,205	1.3%	17,500	1.7%

Source: Prepared by FISCO from the Company's results briefing materials

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3. Net sales forecasts by product

Looking at net sales by product, for high-end products the Company plans to increase sales through the renewal of Beadsberry, its design-oriented premium brand, and forecasts a 0.8% increase to ¥1,320mn. In high-value-added products, it plans to secure orders for renewal projects and acquire new accounts by establishing a full product lineup through the active launch of new miffy products, and forecasts net sales to increase 2.2% to ¥11,180mn. In value-added products, it expects a recovery in sales of patient wear, which were sluggish in the previous fiscal year, and forecasts a 1.2% increase to ¥4,380mn. It expects sales of mass products to decrease 1.5% to ¥620mn, partly because it is not focusing on expanding sales in this category.

Net sales forecasts by product

(¥mn)

	FY8/26		FY8/27	
	Results	YoY	Forecast	YoY
High-end products	1,308	-1.2%	1,320	0.8%
High-value-added products	10,938	3.7%	11,180	2.2%
Value-added products	4,328	-3.5%	4,380	1.2%
Mass products	629	-0.4%	620	-1.5%
Total	17,205	1.3%	17,500	1.7%

Source: Prepared by FISCO from the Company's results briefing materials

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Medium- to long-term growth strategy

Targeting operating profit of ¥4.0bn in FY8/29 in line with the mid-term management plan

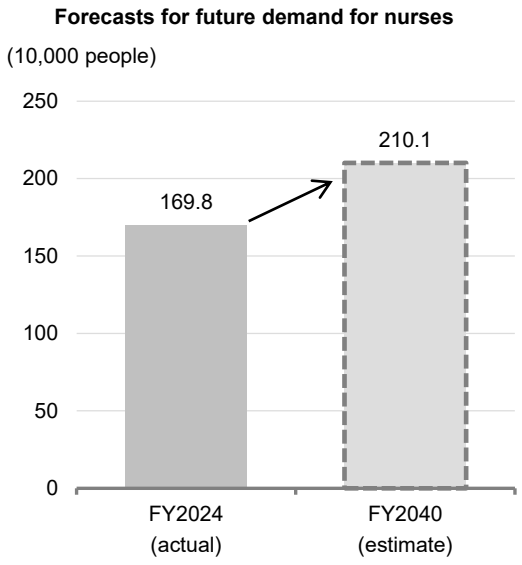
1. Mid-term management plan

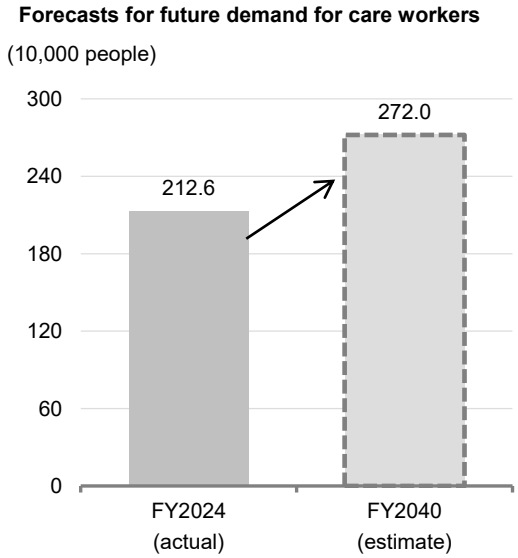
The Company is updating its mid-term management plan each fiscal year by reviewing and rolling it over to reflect recent performance, as business conditions, including forex rates, are susceptible to fluctuations. The mid-term management plan's current targets are net sales of ¥18.5bn and operating profit of ¥4.0bn in FY8/29*.

* Assumes an exchange rate of ¥150/USD (fixed). The previous plan was based on ¥145/USD.

2. Future business strategies

Although the Company's operating environment is currently being affected by factors such as forex fluctuations and surging prices in Japan, the medium- to long-term outlook remains favorable. According to the Company's results briefing materials, demand for nurses in Japan is projected to increase from 1.698 million in FY2024 to as many as 2.101 million in FY2040. Moreover, demand for care workers is forecast to rise from 2.126 million in FY2024 to 2.720 million in FY2040.





Note: Numbers for nurses based on actual data from "Summary of the Report on Public Health Administration and Services (Practicing Medical Professionals)" (MHLW), estimates from "Additional Materials on the Situation Surrounding the Securing of Nurses, etc. (Nursing Personnel)" (MHLW), actual number of care workers from "Update on the Trend in the Number of Long-Term Care Workers (2024)" (MHLW), and estimates for care workers from "Required Number of Long-Term Care Workers based on the Ninth Long-Term Care Insurance Service Plan" (MHLW)

Source: Prepared by FISCO from the Company's results briefing materials

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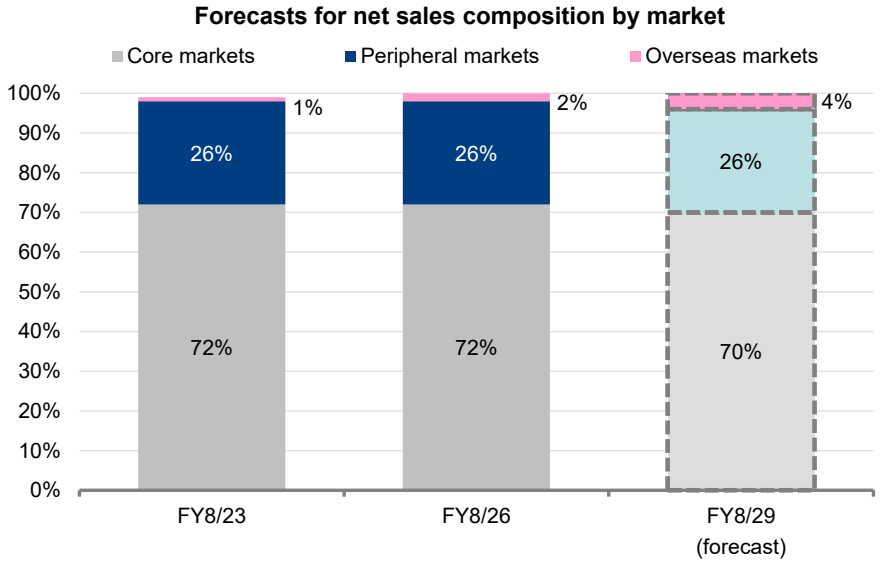
In this business environment, the Company plans to promote growth in the medium term through the following three strategies: (1) market strategy to expand sales, (2) product strategy to stabilize profitability, and (3) production strategy to improve profit margin.

(1) Market strategy to expand sales

The Company has outlined capturing needs in core markets, increasing its share of peripheral markets, and cultivating overseas markets as its market strategies.

In terms of capturing needs in core markets, it aims to promote renewal projects and acquire new projects with high-value-added products under the miffy brand. To increase its share of peripheral markets, it aims to expand its share through COMPELPAK and patient wear. It will cultivate overseas markets by opening branches in Taiwan and South Korea, promoting the adoption of laundry outsourcing, and pursuing direct e-commerce sales.

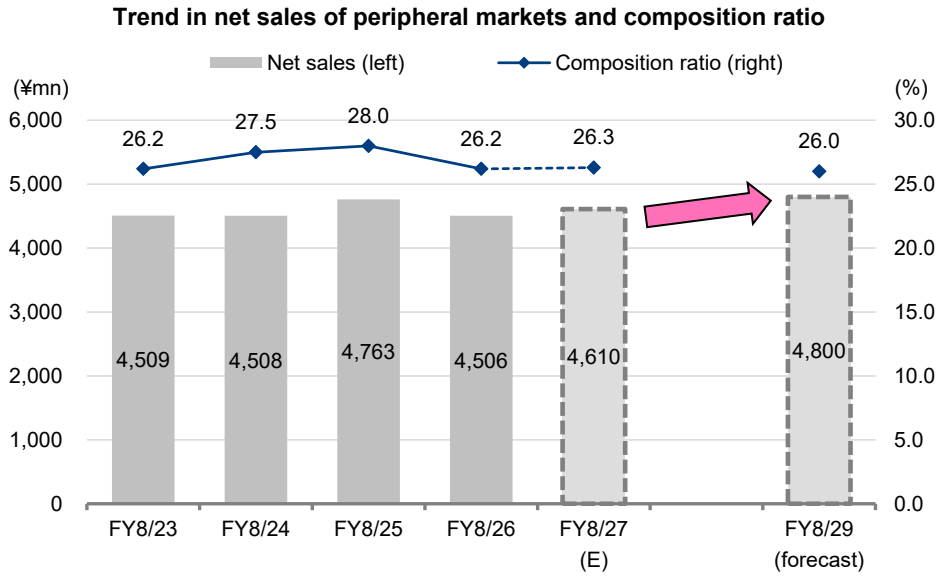
By implementing these strategies, it plans to achieve a net sales composition by market in FY8/29 of 70% for core markets (72% in FY8/23 and 72% in FY8/26), 26% for peripheral markets (26% in FY8/23 and 26% in FY8/26), and 4% for overseas markets (1% in FY8/23 and 2% in FY8/26).



Source: Prepared by FISCO from the Company's results briefing materials

In peripheral markets in particular, the Company aims to achieve net sales of ¥4,800mn and a sales composition ratio of 26.0%, supported by market share gains for COMPELPAK and patient wear.

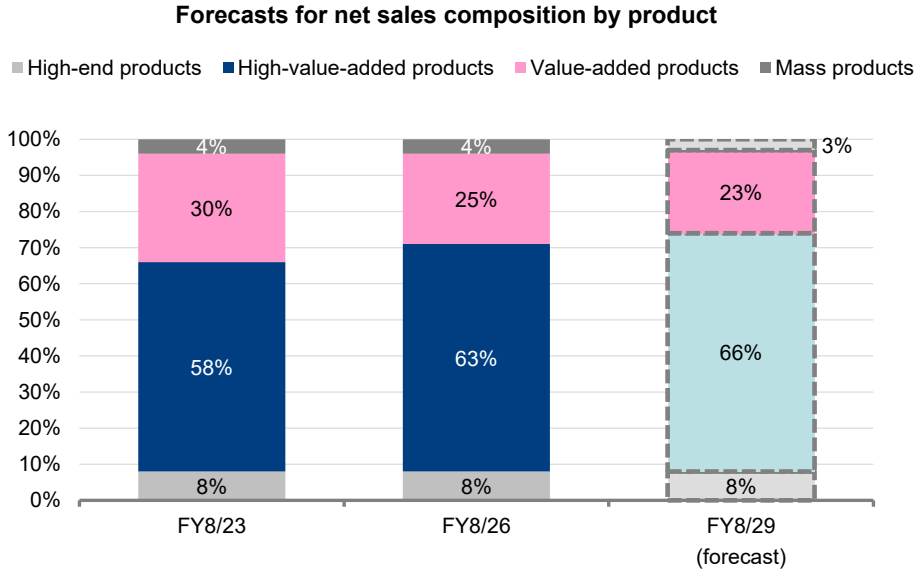
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(2) Product strategy to stabilize profitability

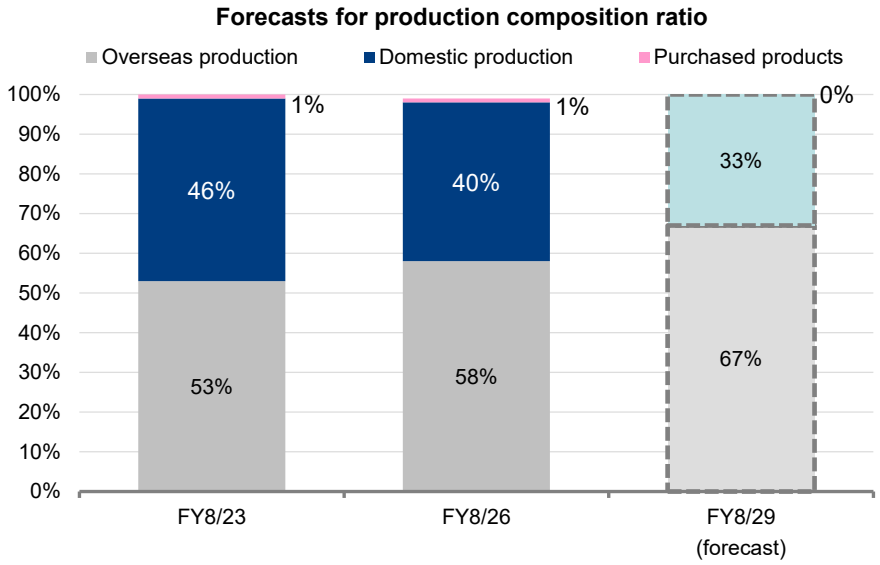
As its product strategy, the Company will work to stabilize profitability by expanding sales of high-end products and high-value-added products, and at the same time boosting sales of value-added products and mass products. As a result, it plans for the net sales composition by product in FY8/29 to be 8% from high-end products (8% in FY8/23 and 8% in FY8/26), 66% from high-value-added products (58% in FY8/23 and 63% in FY8/26), 23% from value-added products (30% in FY8/23 and 25% in FY8/26), and 3% from mass products (4% in FY8/23 and 4% in FY8/26).



Source: Prepared by FISCO from the Company's results briefing materials

(3) Production strategy to improve the profit margin

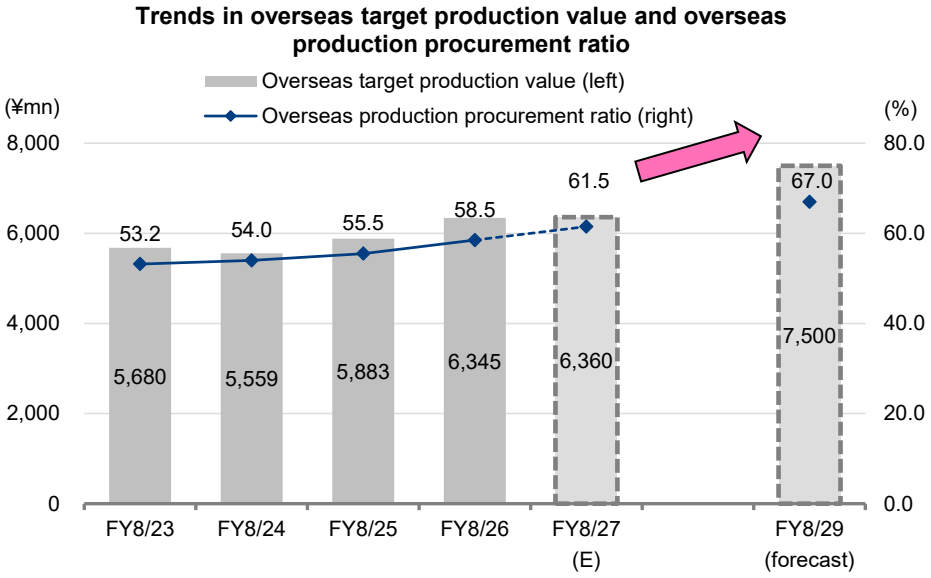
By shifting production overseas, the Company aims to mitigate forex-related risk while increasing the overseas production ratio to improve its profit margin. Furthermore, the Company will advance the development of low-price strategic products utilizing overseas plants. In Japan and overseas, its policy is to maintain a high profit margin by strengthening its ability to handle QR and high-mix, low-volume production. By executing these strategies, it plans to achieve a production composition ratio in FY8/29 of 67% from overseas production (53% in FY8/23 and 58% in FY8/26), 33% from domestic production (46% in FY8/23 and 40% in FY8/26), and 0% from purchased products (1% in FY8/23 and 1% in FY8/26).



Source: Prepared by FISCO from the Company's results briefing materials

In overseas production, it is targeting an overseas production value of ¥7,500mn and an overseas production procurement ratio of 67.0% by promoting local procurement of materials and rolling out low-price strategic products in core markets.

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Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

Annual dividend of ¥70.0 per share also planned for FY8/27. New repurchase of up to 600,000 treasury shares (¥1.0bn) also announced

The Company's equity ratio was high at 92.6% at the end of FY8/26, and its financial condition is stable. Additionally, considering the Company's business model, it seems highly unlikely that its profits will rapidly deteriorate, so continued stable earnings are expected. Therefore, if its distribution of earnings outside the Company (shareholder returns) is low, profits will accumulate as shareholders' equity each year, and return on equity (ROE) will decline, which is to say, capital efficiency will decline. However, in addition to increasing dividends in line with profit growth, the Company is actively implementing comprehensive shareholder returns, including through the repurchase of treasury shares, with the aim of improving capital efficiency and pursuing a flexible capital policy in response to changes in the operating environment. As a result, it has maintained a relatively high ROE (6.6% in FY8/26).

The Company has pledged to maintain a dividend payout ratio of 50% or higher on a non-consolidated basis. It paid an annual dividend of ¥60.0 per share for FY8/24, and since FY8/25 marked the 110th anniversary of its founding, it raised the annual dividend for FY8/25 to ¥100.0 per share, including a commemorative dividend. For FY8/26, which has now ended, the Company had initially planned a regular annual dividend of ¥60.0 per share, but ultimately increased this to an annual dividend of ¥70.0 per share, resulting in a dividend payout ratio of 81.0% on a non-consolidated basis. For FY8/27, which is currently in progress, it also plans a regular annual dividend of ¥70.0 per share.

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Furthermore, the Company is proactive about the repurchase of treasury shares. Based on resolutions of the Board of Directors on November 12, 2025 and June 29, 2026, it has already repurchased a total of 1,093,000 treasury shares (¥1,999mn) from November 13 to December 26, 2025 and from June 30 to August 12, 2026, and it also canceled 5,000,000 treasury shares on November 28, 2025. In addition, for the ongoing FY8/27, the Company has announced that it will repurchase up to 600,000 treasury shares (¥1.0bn) from October 2 to December 31, 2026. Along with its strong financial structure, this proactive approach to shareholder returns is highly commendable.

Trends in the dividend payout ratio and the total return ratio

(¥mn)

	Total dividends	Purchase of treasury shares	Dividend payout ratio*	Total return ratio*
FY8/15	3,324	1,500	107.5%	153.8%
FY8/16	1,662	0	52.5%	52.5%
FY8/17	1,994	0	55.2%	55.2%
FY8/18	1,994	0	55.2%	55.2%
FY8/19	1,995	0	58.0%	58.0%
FY8/20	1,971	1,031	57.9%	87.9%
FY8/21	1,971	0	55.0%	55.0%
FY8/22	1,935	1,231	52.5%	84.9%
FY8/23	1,926	373	60.7%	72.1%
FY8/24	1,889	1,449	68.1%	119.1%
FY8/25	3,047	2,177	120.9%	204.3%
FY8/26	2,058	1,999	81.0%	156.3%

* On a non-consolidated basis
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