COMPANY RESEARCH AND ANALYSIS REPORT

Nagaileben Co., Ltd.

7447

Tokyo Stock Exchange Prime Market

11-Nov.-2025

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Contents

Summary

Top manufacturer of medical gowns that maintains a high profit margin. Positive approach to shareholder returns, with total return ratio of 204.3% in FY8/25

1. Overview of FY8/25 results

Nagaileben Co., Ltd. <7447> (hereafter, also “the Company”), posted FY8/25 consolidated results where net sales increased 3.5% year on year (YoY) to ¥16,983mn, operating profit declined 10.5% to ¥3,583mn, recurring profit decreased 9.0% to ¥3,706mn, and net profit attributable to the owners of the parent company was down 8.8% to ¥2,573mn. Net sales performed well until 3Q but fell somewhat short of the forecast in 4Q due to some projects being delayed. The gross profit margin declined to 39.5% (42.8% in previous fiscal year). This was due to factors such as the impact of forex, increases in processing fees and raw material costs, and unexpected temporary expenses incurred in connection with the partial relocation of overseas factories. The Company limited growth in SG&A expenses to 3.5%, but operating profit fell by 10.5%, falling short of the forecast.

2. FY8/26 forecasts

For the FY8/26 consolidated results, the Company forecasts that net sales will increase 6.0% YoY to ¥18,000mn, operating profit will rise 12.3% to ¥4,025mn, recurring profit will go up 13.3% to ¥4,200mn, and net profit attributable to the owners of the parent company will increase 12.7% to ¥2,900mn. While the Company expects overall market conditions to remain difficult, it sees net sales increasing YoY, supported by the launch of strategic products in the low-price market and by efforts to capture delayed projects in core markets. In peripheral markets, an area the Company is focusing on, it aims to increase sales by promoting sales of new patient wear products and by shifting to a leasing model for surgery wear. In terms of profitability, even though it is possible that processing fees and raw material costs will continue to rise, it expects the gross profit margin to improve to 40.3% (39.5% in the previous fiscal year) due to price revisions scheduled for February 2026 onward and other factors. It forecasts that operating profit will rise 12.3% due to limiting SG&A expense growth to 3.5%.

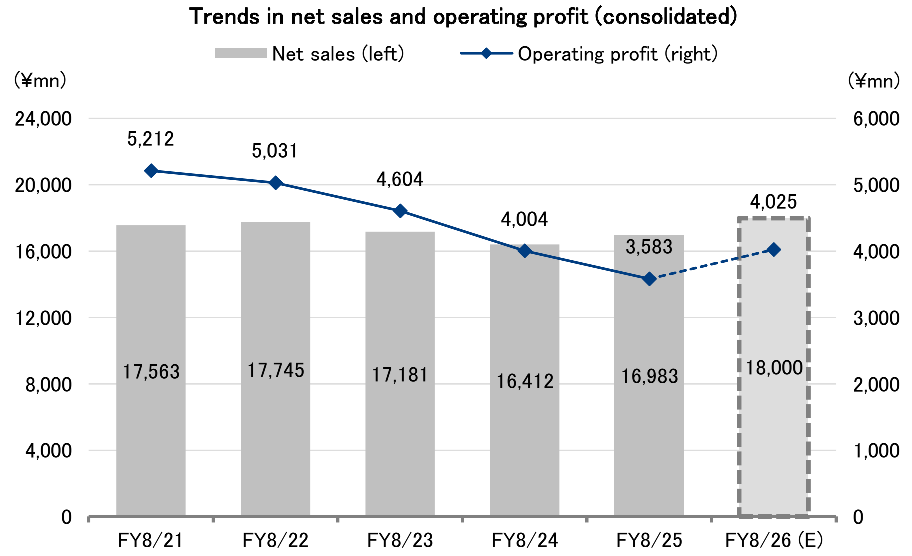
3. Mid-term management plan and shareholder returns

The Company is making progress with its mid-term management plan, which was carried over from the previous plan, taking into account the results of FY8/25. As for targets, the Company is aiming for net sales of ¥19.5bn and operating profit of ¥4.7bn in FY8/28. It plans to achieve the targets by continuing to promote a market strategy, product strategy, and production strategy. Its stance toward shareholder returns remains unchanged. FY8/25 is the Company’s 110th anniversary, so it raised its annual dividend to ¥100.0 (¥60.0 ordinary dividend + ¥40.0 commemorative dividend). It is planning an ordinary dividend of ¥60 in FY8/26, but depending on the results, it seems that there will be scope to increase it. The Company is also taking an active approach to buying back shares for the purpose of raising capital efficiency and implementing a flexible capital policy in response to changes in the management environment. It had already acquired 1.357mn shares (¥2.99bn) of treasury stock during the period from April 2024 to May 2025, and at the end of FY8/25, it held 5,256,225 shares of treasury stock (with a balance of ¥8,108mn). As a result, the total return ratio for FY8/25, which includes dividends and share buybacks, was 204.3%, and the total return ratio for the past 20 years (weighted average*) is also high at 77.4%. Along with its strong financial structure, we at FISCO highly rate the Company’s proactive approach to shareholder returns.

* Weighted average total return ratio = (Aggregate sum of dividends + aggregate sum amount of share buybacks)/(Aggregate sum of net income)

Key Points

- While sales increased in FY8/25, operating profit fell due to higher costs
- For FY8/26, the Company forecasts operating profit will recover to growth of 12.3% YoY, supported by the acquisition of delayed projects, price revisions, etc.
- In the mid-term management plan, the Company is targeting operating profit of ¥4.7bn in FY8/28. It is also actively returning profits to shareholders, with a total return ratio of 77.4% (weighted average) over the past 20 years



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

Company profile

Leading manufacturer of medical gowns, whose features include high profit margins and a strong financial position

The Company is a specialist manufacturer of medical gowns for nurses, doctors, patients, and others. Established in 1915 as Nagai Shoten, the Company has a rich history. Since then, it has expanded its operations nationally to become a leading domestic manufacturer that boasts an annual supply of more than 6.00 million medical gowns a year and a market share of over 60% in one of its core markets* of 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

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 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 Corp (US) and Toray Industries, Inc. <3402>. 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 Co., Ltd. as a spin-off from Nagai Co., Ltd. Thereafter, the two companies exchanged their names, with Emit Co., Ltd. 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 toward 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
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
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, Ltd. <4911>
2018	Constructed a new sewing center in Daisen City, Akita Prefecture
2020	Delivered 600,000 articles of PPE garments for protection from COVID-19
2022	Shifted listing to the TSE Prime Market
2023	Signed license agreements with Yagi Tsusho Limited and Mackintosh Japan Limited
2024	Reopened Osaka branch showroom

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

Business overview

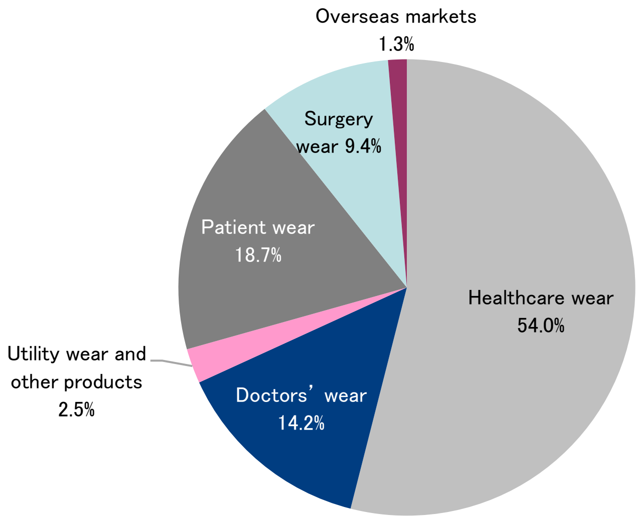
Aiming to improve profitability through expanded sales of high-value-added products and increased overseas production ratio

1. Sales breakdown

The Company's products are medical gowns and related products. It supplies only one category of product, so it does not disclose segment data, but sales composition by item for FY8/25 is 54.0% from healthcare wear, 14.2% from doctors' wear, 2.5% from utility wear and other products, 18.7% from patient wear, 9.4% from surgery wear, and 1.3% 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 also infection prevention products. While profitability does not vary much among the various items, utility wear and other products have a high percentage of purchased products and relatively low margins.

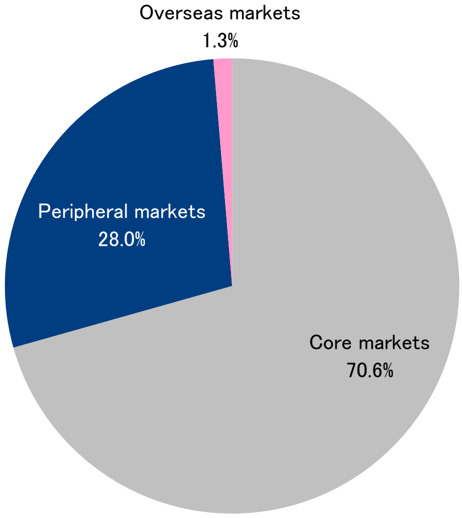
Sales composition by item (FY8/25)



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

Also, in the categories introduced from FY8/22, 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 plenty of room to grow in the future (patient wear and surgery wear), and the overseas markets. Regarding the sales composition by market in FY8/25, the core markets provided 70.6%, the peripheral markets 28.0%, and the overseas markets 1.3%.

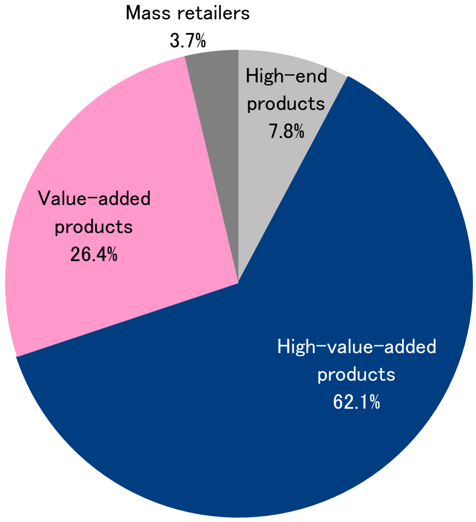
Sales composition by market (FY8/25)



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

The sales composition by product (function) for FY8/25 is 7.8% from high-end products, 62.1% from high-value-added products, 26.4% from value-added products, and 3.7% from mass products. Looking at the priceband 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.

Sales composition by product (FY8/25)



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

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 agency sales via wholesalers 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 as 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 four years. Because this generates lease renewal demand every four years, it seems to stably support the Company's earnings. However, the lease renewal cycle does not necessarily occur in the same time period as the previous time and there are cases of it being slightly before or after, so sometimes a slight shifting occurs for the net sales for each quarter.

Based on FY8/25 results (non-consolidated), internal production and production at partner plants constitute an aggregate of 99.4% (43.9% domestically and 55.5% overseas), with purchased products accounting for 0.6%. Overseas production takes place in Indonesia, Vietnam, and China, but the Company owns no plants and the goods 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. Specifically, the Company sells products that are easy to work in (easy to move around) while incorporating antistatic, antibacterial (restricting the spread of bacteria), and other functions, as well as featuring excellent designs. It deals directly with major synthetics manufacturers and textiles traders, including Toray <3402>, with which it is jointly developing materials, so it is able to secure optimal materials and produce at low costs while selling them at appropriate margins.

Furthermore, since it has a large number of affiliated plants and the necessary financial resources, it is able to constantly maintain product item inventories that extend into the thousands of 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 delivers the desired product on a specified day in response to a broad range of users. 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, the Company's domestic share of its core market of medical gowns exceeds 60%, and it maintains a firm position as the leading medical gown manufacturer in Japan, with the gross profit margin in FY8/25 at a high level of 39.5%. The fact that it has both high profitability and a high market share demonstrates that most 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 manufacturing and sales. Although it is a niche market, there remains room for further development, as the Company has relatively low shares of the peripheral markets for patient wear, surgery wear, and other items, so it has explicitly stated that the medical gown business could grow for some time and that it will take active steps to develop peripheral markets.

Guided by the “Nagaism” company spirit, actively engages in CSR activities

4. Initiatives for CSR

The Company commemorated its 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.

“Let us help the human life” at the core of main initiatives

(1) Expanding women’s roles: Supporting industries led by women

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

(2) Contributing to customers

a) 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 educational courses on such subjects as makeup and personal behavior that are suitable for nurses in the medical industry. 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 video to be used in training for new nurses beginning their careers at medical institutions.

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 starting work 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 by the school as graduation gifts.

(3) Contributing to communities

a) Medical kids project

This project started from the idea of deepening interaction between hospitals and local communities and enabling children to attend hospitals or undergo hospitalization with ease 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 facilities and so forth to pass on the history of nursing.

c) Contributing to communities through production sites

The Company is creating employment and contributing to 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 surgical gowns, surgical supplies, and isolation gowns through an NPO corporation to help protect healthcare professionals in Cambodia against infection risk.

b) Establishing Nagaileben Medical Gown Day

With the desire to help promote society's sense of appreciation for everyone who wears a medical gown, the Company registered August 9 as Nagaileben Medical Gown 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 is an effective use of limited resources, which will lead to reducing environmental burden. Specifically, the Company is implementing the following measures:

- Acquired ISO 14001 certification in 2005
- Developed reusable infection prevention products
- Establishment of circular supply chain in progress (e.g., reusing cutting wastage from raw materials for roofing processing and other purposes)
- Industry-academia collaboration with Akita University
- Installed solar panels on the headquarters building and the Nagaileben West Japan Distribution Center
- Introduction of renewable energy-based power at head office and Akita plant

b) Response to climate change problems

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

(6) Social contribution

The Company is implementing the following measures:

- Providing uniforms to the Japanese Nursing Association for nurses working in disaster relief
- Donations of infection prevention products to medical entities and others
- Conveying messages of support to healthcare professionals
- Regularly publishes poetry collections for nurses, which are given free of charge to hospitals and nurses
- 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
- Nagaileben's Representative Director and President, Ichiro Sawanobori, appointed as Industrial Ambassador for Misato Town (Akita Prefecture)
- 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 following the outbreak of SARS; natural disasters including the Indonesian earthquake, the Great Hanshin-Awaji Earthquake, the Great East Japan Earthquake, and the Kumamoto earthquakes; and the COVID-19 pandemic
- Supporting the United Nations World Food Programme (WFP), an agency that provides food assistance
- Supporting the Minamisanriku Planting of Revival Cherry Trees effort: Cooperating with volunteers from Minamisanriku Town (Miyagi Prefecture), an area affected by the Great East Japan Earthquake, on the "Ocean View Forest for Saving Life" initiative to plant Sakura (cherry blossom) trees in locations reached by the tsunami
- Published in Future Class: The Company's initiatives are introduced in Future Class, which is a teaching material used in classes on the Sustainable Development Goals that is distributed to elementary and junior high schools nationwide
- Participated in an educational program for children organized by Resona Bank, Ltd. in which the Company carried out activities aimed at deepening interest and understanding regarding the work of healthcare professionals through a seminar on medical gowns
- Supporting Para-Art Activity

Results trends

In FY8/25, sales increased but operating profit was down 10.5% due to higher processing fees, raw material costs, etc.

1. Overview of FY8/25 results

In consolidated results for FY8/25, sales increased and profit decreased, with net sales increasing 3.5% YoY to ¥16,983mn, operating profit falling 10.5% to ¥3,583mn, recurring profit declining 9.0% to ¥3,706mn, and net profit attributable to the owners of the parent company down 8.8% to ¥2,573mn.

Net sales progressed as planned until 3Q, due to incorporating projects that had been delayed from the previous fiscal year, primarily in core markets, and delivering large projects as scheduled, but in 4Q, they fell short of the forecast due to some projects being delayed.

On the profit front, the gross profit margin declined 3.3pp YoY to 39.5% and gross profit declined 4.5% to ¥6,712mn. The reasons for the change in gross profit were a ¥226mn increase due to higher sales and a ¥543mn decrease due to a drop in the profit margin. Furthermore, analyzing the factors in the decline in the profit margin, there was a ¥132mn drop due to the impact of forex (weak yen) (¥152.0/USD vs. ¥146.0/USD in FY8/24), an increase of ¥50mn as a result of an increase in the overseas production share (55.5% vs. 54.0% in FY8/24), a decrease of ¥130mn due to the rise in processing fees, a decrease of ¥265mn due to the rise in raw material costs, and a decrease of ¥95mn due to temporarily suspending operations in connection with the partial relocation of overseas plants and unexpected logistics costs occurring as a result of this. On the other hand, progress on product price revisions since February 2023 led to an increase of ¥29mn in profits.

SG&A expenses increased 3.5% YoY to ¥3,128mn. This mainly reflected a ¥77mn increase due to higher personnel expenses and a ¥14mn decrease due to a drop in advertising costs. Capital investments totaled ¥315mn (building- and property-related: ¥37mn, IT facilities: ¥161mn, logistics facilities: ¥37mn, production facilities: ¥78mn, etc.), with depreciation of ¥279mn (¥266mn in previous fiscal year).

Overview of FY8/25 consolidated results

(¥mn)

	FY8/24		FY8/25		YoY	
	Results	% of net sales	Results	% of net sales	Change amount	Change %
Net sales	16,412	100.0%	16,983	100.0%	571	3.5%
Gross profit	7,028	42.8%	6,712	39.5%	-316	-4.5%
SG&A expenses	3,024	18.4%	3,128	18.4%	104	3.5%
Operating profit	4,004	24.4%	3,583	21.1%	-421	-10.5%
Recurring profit	4,074	24.8%	3,706	21.8%	-368	-9.0%
Net profit attributable to the owners of the parent company	2,822	17.2%	2,573	15.2%	-248	-8.8%

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

(1) Net sales by item and market

In its core markets, net sales increased 3.1% YoY to ¥11,996mn. The Company was able to increase net sales by capturing projects that had been delayed from the previous fiscal year, particularly for high-functionality products, as well as by smoothly delivering large projects on schedule, but in 4Q, the sales growth rate fell short of the forecast because some projects were delayed. By item, net sales rose 4.0% YoY to ¥9,165mn for healthcare wear, grew 2.5% for doctors' wear to ¥2,412mn, and fell 10.8% to ¥419mn for utility wear and other products.

In peripheral markets, net sales increased 5.7% YoY to ¥4,763mn. By item, net sales of patient wear (a focus product) for both inpatient and health check purposes grew smoothly by 6.9% YoY to ¥3,171mn. Net sales of surgery wear grew steadily by 3.3% to ¥1,592mn due to the capture of new projects and other factors.

Net sales in overseas markets decreased 15.1% YoY to ¥224mn. Although there is large YoY fluctuation based on whether there are projects, overseas sales are still small, so it is not a cause of concern. However, overseas development is lagging slightly behind schedule.

Net sales by item and market

(¥mn)

	FY8/24		FY8/25	
	Results	YoY	Results	YoY
Core markets	11,640	-6.4%	11,996	3.1%
Healthcare wear	8,815	-6.2%	9,165	4.0%
Doctors' wear	2,354	-6.5%	2,412	2.5%
Utility wear and other products	470	-10.4%	419	-10.8%
Peripheral markets	4,508	0.0%	4,763	5.7%
Patient wear	2,967	1.0%	3,171	6.9%
Surgery wear	1,540	-1.9%	1,592	3.3%
Overseas markets	263	12.5%	224	-15.1%
Total	16,412	-4.5%	16,983	3.5%

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

(2) Net sales by product

Net sales of high-end products increased 4.3% YoY to ¥1,324mn. Sales of the Company's new MACKINTOSH PHILOSOPHY brand performed well, which contributed to higher sales. Net sales of high-value-added products rose 7.1% to ¥10,543mn. The Company steadily received orders for renewal projects, especially for Safeel, a high-value-added material with a superior feel. Net sales of value-added products fell 4.1% to ¥4,483mn. Sales declined due to the operating environment for medical institutions remaining tough. Net sales of mass products rose 0.8% to ¥632mn, but since they are small in scope, the overall impact was minimal.

Net sales by product

(¥mn)

	FY8/24		FY8/25	
	Results	YoY	Results	YoY
High-end products	1,269	-8.6%	1,324	4.3%
High-value-added products	9,840	-0.7%	10,543	7.1%
Value-added products	4,675	-9.5%	4,483	-4.1%
Mass products	627	-12.8%	632	0.8%
Total	16,412	-4.5%	16,983	3.5%

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

Financial position is solid with the equity ratio high at 92.5%. Cash on hand and deposits are abundant at ¥24.2bn

2. Financial position

(1) Consolidated balance sheets

The Company's financial position remains healthy and stable. At the end of FY8/25, total assets had decreased ¥2,035mn to ¥44,692mn compared to the end of the previous fiscal year. Current assets decreased ¥2,085mn to ¥36,200mn, mainly due to a decrease in cash and deposits of ¥2,103mn, a decrease in notes and accounts receivable including electronically recorded claims of ¥322mn, and an increase in inventories of ¥459mn. Meanwhile, fixed assets totaled ¥8,492mn, up ¥50mn, mainly reflecting a decrease in tangible fixed assets of ¥57mn from depreciation, an increase in intangible fixed assets of ¥94mn connected to IT-related investment, and an increase in investments and other assets of ¥13mn.

Total liabilities were ¥3,373mn, down ¥656mn from the end of the previous fiscal year. This was mainly due to decreases in notes and accounts payable of ¥531mn and income taxes payable of ¥109mn. Net assets decreased ¥1,379mn to ¥41,318mn, mainly due to an increase in retained earnings of ¥684mn resulting from the recording of net profit, etc. and a decrease of ¥2,154mn due to the acquisition of treasury stock. As a result, the equity ratio was 92.5% at the end of FY8/25 (91.4% at the end of the previous fiscal year).

The Company's financial position remains stable, with cash and deposits and the equity ratio at high levels, but going forward, it seems that making effective use of this ample cash will be an issue.

Summary of the consolidated balance sheets

(¥mn)

	End of FY8/24	End of FY8/25	Change amount
Cash and deposits	26,349	24,246	-2,103
Notes and accounts receivable (including electronically recorded claims)	5,005	4,683	-322
Inventories	6,591	7,050	459
Current assets	38,285	36,200	-2,085
Tangible fixed assets	7,313	7,255	-57
Intangible fixed assets	72	167	94
Investments and other assets	1,055	1,069	13
Fixed assets	8,441	8,492	50
Total assets	46,727	44,692	-2,035
Notes and accounts payable	1,298	766	-531
Income taxes payable	748	638	-109
Total liabilities	4,029	3,373	-656
Retained earnings	44,719	45,403	684
Treasury shares	-5,953	-8,108	-2,154
Net assets	42,697	41,318	-1,379
Total liabilities and net assets	46,727	44,692	-2,035

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

(2) Cash flow conditions

Cash flow from operating activities in FY8/25 was ¥2,180mn. The main inflows included profit before income taxes of ¥3,706mn, depreciation of ¥279mn, and a ¥389mn decrease in trade receivables, while the main outflows were a ¥459mn increase in inventories and a ¥531mn decrease in accounts payable. Cash flow from investing activities was ¥1,109mn. The main outflow was ¥291mn to acquire tangible assets, and the main inflow was ¥1,500mn for withdrawal of fixed deposits (net). Cash flow used in financing activities was ¥3,894mn. The main outflows were ¥1,888mn for payment of dividends and ¥2,005mn for acquisition of treasury shares (including change in deposits). As a result, cash and cash equivalents decreased ¥603mn during the fiscal year, leaving the balance at the end of FY8/25 as ¥4,746mn.

Summary of the consolidated statement of cash flows

(¥mn)

	FY8/24	FY8/25
Cash flow from operating activities	2,286	2,180
Profit before income taxes, etc.	4,074	3,706
Depreciation	266	279
Change in trade receivables (negative is an increase)	36	389
Change in inventories (negative is an increase)	-531	-459
Change in accounts payable (negative is a decrease)	-308	-531
Cash flow from investing activities	-1,769	1,109
Payments to acquire tangible assets	-142	-291
Change in fixed deposits (net)	-1,600	1,500
Cash flow from financing activities	-2,929	-3,894
Payment of dividends	-1,925	-1,888
Payment to acquire treasury shares (including deposits)	-1,004	-2,005
Change in cash and cash equivalents	-2,409	-603
Balance of cash and cash equivalents at period end	5,349	4,746

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

Outlook

Forecasts sales and profit growth in FY8/26, with operating profit expected to increase 12.3% due to price revisions, etc.

1. FY8/26 forecasts

For the FY8/26 consolidated results, the Company forecasts that net sales will increase 6.0% YoY to ¥18,000mn, operating profit will rise 12.3% to ¥4,025mn, recurring profit will go up 13.3% to ¥4,200mn, and net profit attributable to the owners of the parent company will increase 12.7% to ¥2,900mn.

The Company expects the market environment to remain tough, as it sees few positive catalysts in the business climate for medical institutions, which have been grappling with the impact of inflation since FY8/23. In core markets, however, the Company forecasts sales will increase 4.2% YoY, mainly due to steadily capturing projects delayed from the previous fiscal year, the launch of new strategic products in the low-price market, where the Company struggled to renew orders in FY8/24, backed by integrated production overseas, and pursuing price revisions beginning in February 2026. In peripheral markets, it forecasts net sales will increase 7.1% YoY due to the expected expansion of sales of new patient wear products it is focusing on and replenishment demand for existing products, as well as a boost from COMPELPACK and shifting to a leasing model. It also expects a 78.6% increase in sales in overseas markets by expanding its Japanese-style business model.

The gross profit margin is forecast to improve to 40.3% (39.5% in the previous fiscal year), and gross profit is expected to increase 8.2% YoY to ¥7,262mn in conjunction with higher sales. The factors behind the change in gross profit are expected to be an increase of ¥402mn due to higher sales and increase of ¥149mn due to improved profit margin. The factors behind the improvement in the gross profit margin are expected to be an increase of ¥110mn due to forex (stronger yen) (¥147.0/USD compared to ¥152.0/USD in FY8/25), a ¥60mn increase due to the effect of a higher overseas production ratio (57.5% vs. 55.5%), an ¥85mn decrease due to the impact of rising processing fees, a ¥170mn decrease due to higher raw material costs, and a ¥70mn increase due to lower overseas logistics costs. Meanwhile, the effect of product price revisions scheduled to begin in February 2026 is expected to result in a ¥164mn increase in profit.

SG&A expenses are expected to increase 3.5% YoY to ¥3,237mn. This is mainly due to factors such as an expected ¥34mn increase in personnel expenses and ¥24mn increase in advertising costs. The Company expects capital investments to total ¥844mn (building and property-related ¥272mn, IT facilities ¥447mn, logistics facilities ¥34mn, production facilities ¥90mn) with depreciation of ¥302mn.

FY8/26 consolidated results outlook

(¥mn)

	FY8/25		FY8/26		YoY	
	Results	% of net sales	Forecast	% of net sales	Change amount	Change %
Net sales	16,983	100.0%	18,000	100.0%	1,016	6.0%
Gross profit	6,712	39.5%	7,262	40.3%	550	8.2%
SG&A expenses	3,128	18.4%	3,237	18.0%	108	3.5%
Operating profit	3,583	21.1%	4,025	22.4%	441	12.3%
Recurring profit	3,706	21.8%	4,200	23.3%	493	13.3%
Net profit attributable to the owners of the parent company	2,573	15.2%	2,900	16.1%	326	12.7%

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

2. Net sales forecasts by item and market

While the Company expects conditions in core markets to remain difficult, it forecasts net sales in these markets will increase 4.2% YoY to ¥12,500mn, supported by projects delayed from FY8/25 (orders already received), as well as expanded sales of new strategic products. By item, it sees sales rising 4.7% YoY to ¥9,600mn for healthcare wear and 4.5% to ¥2,520mn for doctors' wear, but it forecasts a drop of 9.4% YoY to ¥380mn for utility wear and other products.

It expects net sales in peripheral markets to increase 7.1% YoY to ¥5,100mn. Net sales of patient wear are expected to rise 7.2% to ¥3,400mn due to factors such as the shift to high-value-added products progressing well. In surgery wear, it forecasts a 6.8% increase to ¥1,700mn due to new adoption of COMPELPACK and enhanced promotion, including shifting to leasing projects for surgery wear.

It sees net sales rising 78.6% YoY to ¥400mn in overseas markets, supported by increased uptake of laundry outsourcing and by the establishment of a business model based on direct e-commerce sales.

Net sales forecasts by item and market

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Forecast	YoY
Core markets	11,996	3.1%	12,500	4.2%
Healthcare wear	9,165	4.0%	9,600	4.7%
Doctors' wear	2,412	2.5%	2,520	4.5%
Utility wear and other products	419	-10.8%	380	-9.4%
Peripheral markets	4,763	5.7%	5,100	7.1%
Patient wear	3,171	6.9%	3,400	7.2%
Surgery wear	1,592	3.3%	1,700	6.8%
Overseas markets	224	-15.1%	400	78.6%
Total	16,983	3.5%	18,000	6.0%

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

3. Net sales forecasts by product

Looking at net sales by product, the Company forecasts that high-end product sales will rise 5.7% YoY to ¥1,400mn, due to factors such as sales of the new MACKINTOSH PHILOSOPHY brand remaining strong. In high-value-added products, it forecasts that net sales will go up 6.2% to ¥11,200mn due to orders that have already been placed for large-scale projects as well as making the market more active by introducing new strategic product lines. In value-added products, the Company sees sales increasing 7.1% to ¥4,800mn thanks to the steady acquisition of delayed and planned projects through the launch of low-price strategic products made using an integrated overseas production system. It expects sales of mass products to contract 5.1% to ¥600mn, partly because it is not focusing on expanding sales in this category.

Net sales forecasts by product

(¥mn)

	FY8/25		FY8/26	
	Results	YoY	Forecast	YoY
High-end products	1,324	4.3%	1,400	5.7%
High-value-added products	10,543	7.1%	11,200	6.2%
Value-added products	4,483	-4.1%	4,800	7.1%
Mass products	632	0.8%	600	-5.1%
Total	16,983	3.5%	18,000	6.0%

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

Medium- to long-term growth strategy

Targets operating profit of ¥4.7bn in FY8/28 in mid-term management plan

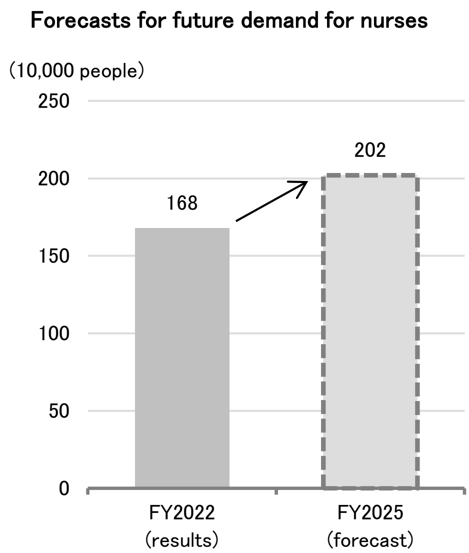
1. Mid-term management plan

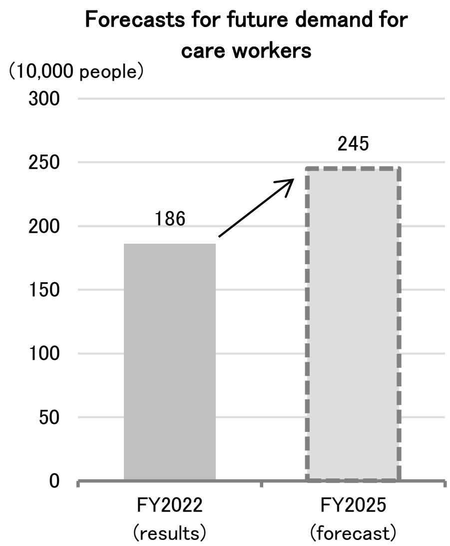
The Company is updating its mid-term management plan on an ongoing basis each fiscal year to reflect recent performance, as earnings are being impacted by fluctuating conditions, including forex rates. The plan's current targets are net sales of ¥19.5bn and operating profit of ¥4.7bn in FY8/28*.

* Assumes an exchange rate of ¥145/USD (fixed). Previous plan was based on ¥140/USD.

2. Future business strategies

Although the Company's operating environment is being affected by forex fluctuations and surging prices in Japan, we at FISCO anticipate tailwinds over the medium and long term. According to the Company's results briefing materials, demand for nurses in Japan is projected to increase from 1.66 million in FY2022 to as many as 2.02 million in FY2025. Moreover, demand for care workers is forecast to rise from 1.89 million in FY2022 to 2.45 million in FY2025.





Note: Numbers for nurses based on actual data from "Summary of Health Administration Report Cases" (MHLW), estimates from "Study Group on Supply and Demand of Medical Personnel" (MHLW), actual number of care workers from "Survey of Institutions and Establishments for Long-Term Care" (MHLW), and estimates for care workers from "Seventh Insured Long-Term Care Service Plans" (MHLW)
Source: Prepared by FISCO from the Company's results briefing materials

In this sort of 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, (3) and production strategy to improve the profit margin.

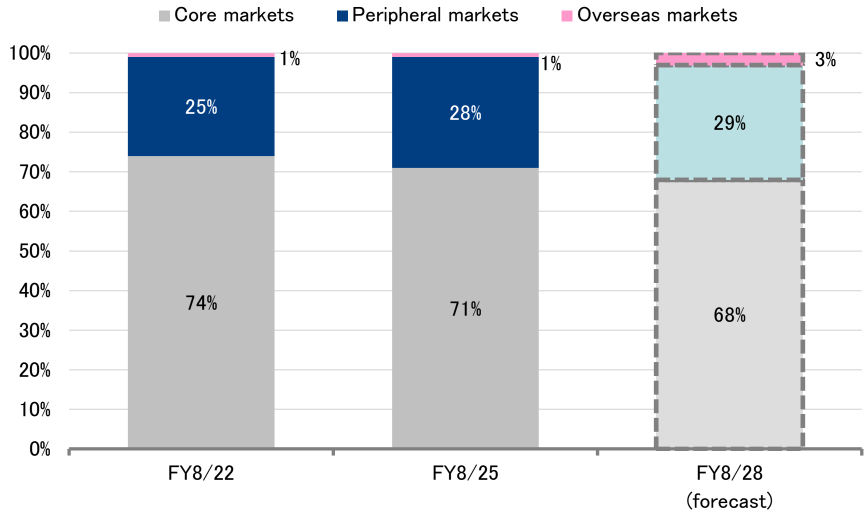
(1) Market strategy to expand sales

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 make the high-end market more active via the MACKINTOSH PHILOSOPHY brand and update its models for high-value-added products. For expanding its share of peripheral markets, it aims to expand its share based on COMPELPACK and patient wear. It will cultivate overseas markets by opening branches in Taiwan and South Korea, promoting laundry outsourcing, and pursuing direct e-commerce sales.

By implementing these strategies, it forecasts the sales composition by market in FY8/28 will be 68% for core markets (74% in FY8/22 and 71% in FY8/25), 29% for peripheral markets (25% in FY8/22 and 28% in FY8/25), and 3% for overseas markets (1% in FY8/22 and 1% in FY8/25).

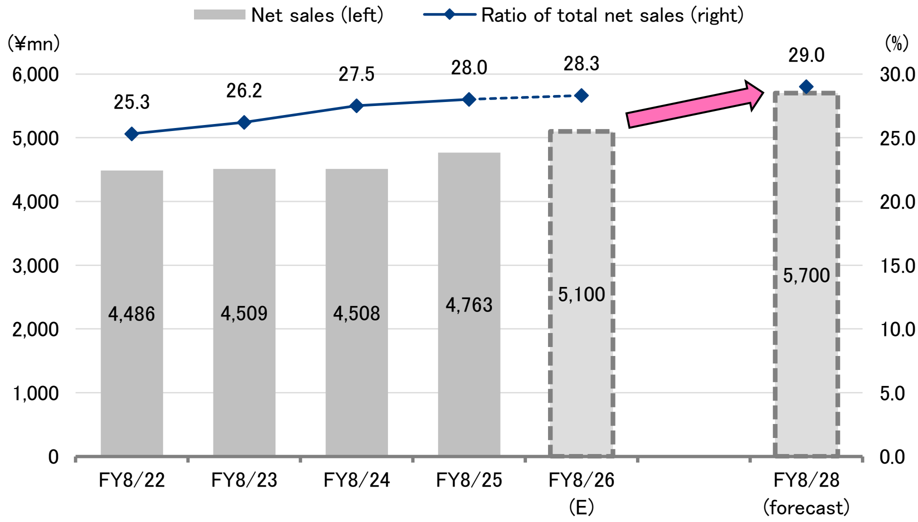
Forecasts for sales composition by market



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

In peripheral markets in particular, the Company aims to increase net sales to ¥5,700mn by FY8/28 and the share of total net sales to 29%, supported by market share gains for COMPELPACK and patient wear.

Trend in net sales of peripheral markets and ratio of total net sales

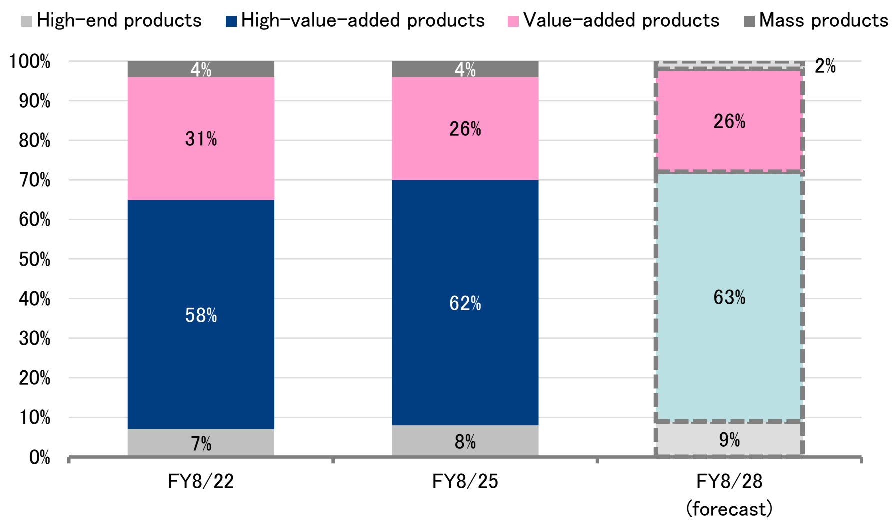


Source: Prepared by FISCO from the Company's results briefing materials

(2) Product strategy to stabilize profitability

As its product strategy, the Company will work on stabilizing profitability by expanding sales of high-end products and high-value-added products, and at the same time increasing sales of mass products and value-added products. As a result, it is forecasting that the sales composition by product in FY8/28 will be 9% from high-end products (7% in FY8/22 and 8% in FY8/25), 63% from high-value-added products (58% in FY8/22 and 62% in FY8/25), 26% from value-added products (31% in FY8/22 and 26% in FY8/25), and 2% from mass products (4% in FY8/22 and 4% in FY8/25).

Forecasts for sales composition by product

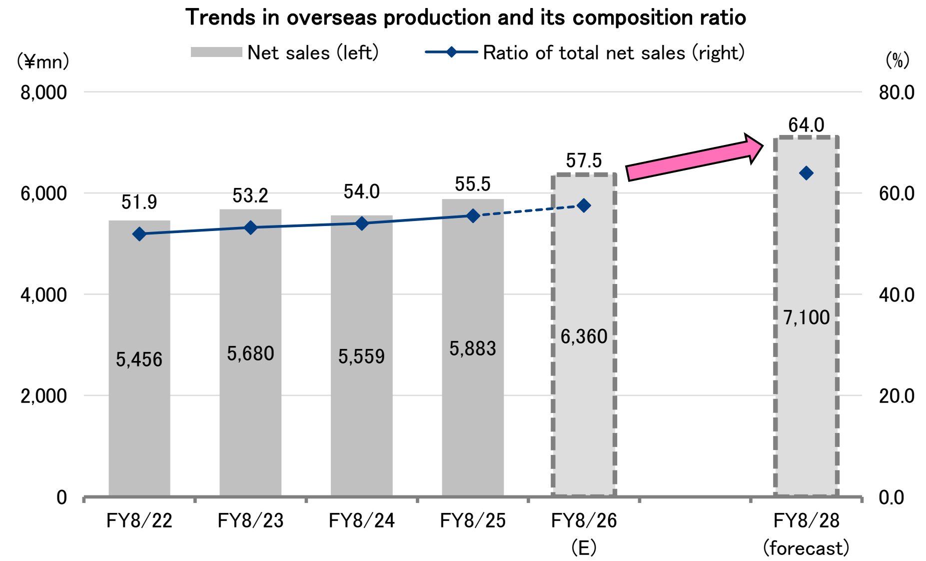


Source: Prepared by FISCO from the Company's results briefing materials

(3) Production strategy to improve the profit margin

The Company intends to improve the profit margin by raising the overseas production ratio through shifting production overseas while keeping down forex-related risk, as well as promoting the development of low-priced strategic products by utilizing its overseas factories. In Japan, its policy is to maintain a high profit margin by strengthening its ability to respond to requests for QR and multiple-product, small lot production runs. By these strategies, it is forecasting that the composition of total production in FY8/28 will be 64% from overseas production (52% in FY8/22 and 56% in FY8/25), 36% from domestic production (47% in FY8/22 and 43% in FY8/25), and 0% from purchased products (1% in FY8/22 and 1% in FY8/25).

In overseas production, it is targeting production value of ¥7,100mn and a 64% share of total procurement by rolling out low-price strategic products in core markets that use locally procured materials.



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

Shareholder return policy

For FY8/26, the Company plans an annual dividend of ¥60, but it may be increased depending on results. The total return ratio is 77.4% over the past 20 years

The Company's equity ratio reached 92.5% at the end of FY8/25 and it is financially stable. Additionally, considering the Company's business conditions, it seems highly unlikely that its profits will rapidly deteriorate, so continued stable earnings are expected. As a result, if its distribution of earnings outside the Company (shareholder returns) is low, profits will accumulate in 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 and comprehensively returning profits to shareholders, including through share buybacks, as part of efforts to improve capital efficiency and implement a flexible capital policy in response to changes in the operating environment. As a result, it has maintained a relatively high ROE (6.1% in FY8/25).

The Company has pledged a dividend payout ratio of 50% or higher on a non-consolidated basis. It paid an annual dividend of ¥60.0 each year from FY8/18 to FY8/24. The Company was initially planning an annual dividend of ¥60.0 for FY8/25 as well, but since 2025 marked the 110th anniversary of its founding, it included a commemorative dividend of ¥40.0, raising the annual dividend to ¥100.0. For FY8/26, it is currently planning an ordinary annual dividend of ¥60, but it seems that there is scope to increase it, depending on future results.

The Company is also active in conducting share buybacks for the purpose of improving capital efficiency and implementing a flexible capital policy in response to changes in the operating environment. From April 2024 to the end of May 2025, it acquired a total of 1.357 million treasury shares (¥2.99bn), and the number of treasury shares held in FY8/25 stood at 5,256,225 (with a balance of ¥8,108mn). As a result, the total return ratio for FY8/25, which includes dividends and share buybacks, was 204.3%, and the total return ratio for the past 20 years (weighted average) is also high at 77.4%. Along with its strong financial structure, this active approach to shareholder returns is highly commendable.

Trends in the dividend payout ratio and the total return ratio

(¥mn)

	Total dividend amount	Share buybacks	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%

* On a non-consolidated basis
Source: Prepared by FISCO from the Company's results briefing materials

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